

Honoring the Best in Each Other

Unitus Community Credit Union | **Annual Report 2017**



unitus
COMMUNITY CREDIT UNION

Federally insured by NCUA



A MESSAGE TO OUR MEMBERS

This past year has given our members great reason for excitement about the health of our credit union. July 2017 marked our 80th Anniversary and we celebrated eight decades of building on our mission to improve our members' financial well-being. Throughout the year our members gathered at live concert celebrations, entered prize giveaways, and put money into special anniversary high-yield savings CDs, just to name a few. The milestone gave us the perfect opportunity to reaffirm who we are as a not-for-profit financial cooperative. The stories our members sent in about their experience with our credit union touched our hearts and inspired us to reimagine the contributions we can make in our members' lives.

“ In 1994, I relocated to the Portland metro area after the Northridge quake in California. Everything I had materially was gone as a result of the earthquake and I was starting over 1500 miles from home. I lived in a motel for a couple of weeks and then got an apartment and a job. Shortly after moving here, my 5 speed car became a huge hindrance on the hills and I needed a different car. Unfortunately, my credit was not in good shape and in an attempt to clean up my credit, I requested funds from Unitus. . . I received a small loan, which I paid off promptly. This began a long history of growth for me and increasing financial responsibility. In the last 23 years, all of our cars have been financed, plus a mortgage, line of credit and credit card-all with Unitus. And my credit is stellar now. It all started for me by the yes I received . . . ”

~ Christina Gwynn, member for 23 years

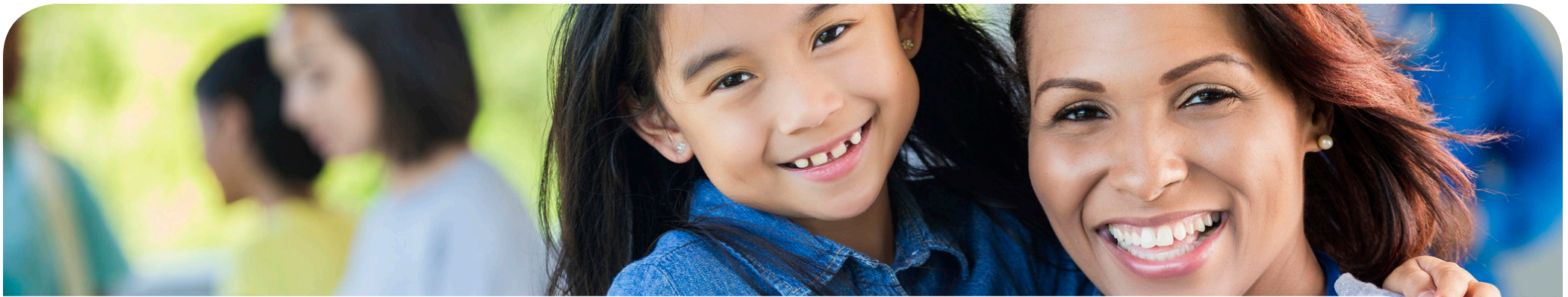
Unitus began with a small act of generous community building, when our seven founders pooled their money to help each other build their families' dreams. Their spirit lives on today in every decision we make for our members, now totaling nearly 90,000 within Oregon, Washington, across the United States and even around the world. While our members continue to make good use of our wide range of financial services, many tell us they are drawn most to our community service efforts, our investments in education, and our commitment to uncom-

monly dedicated member service. Likewise, we have been fortunate to discover through employee feedback programs that many Unitus employees chose to work here specifically for our tradition of charitable innovation. That lets us know we are attracting people who deeply and genuinely love helping people. This heightens our optimism that we will keep improving our standard of member service as we poise ourselves for continued growth.

Our credit union continued in 2017 to invest in new ways to improve our members' financial health. Throughout the year, members earned higher returns and paid lower interest with the help of a number of member-savings promotions. Our anniversary certificate of deposit specials offered returns higher than could be found anywhere else, helping members earn more while boosting their savings balances. Likewise, our no-fee balance transfer specials helped members cut interest and get out of debt faster, a fundamental step in the road to healthy finances. Throughout 2018, members can look forward to more special offers to improve their financial well-being.

As members of a not-for-profit financial cooperative, we cherish our responsibility to our community. Throughout 2017, Unitus employees donated a record 1,669 collective volunteer hours in community involvement efforts. During our annual Holiday Drive in November and December, Unitus employees gathered more than 5,100 gifts for children and families in need. These included warm clothing, blankets, and hygiene items.

For the twelfth consecutive year, Unitus employee mentors visited Vestal Elementary School in NE Portland to share in activities with fourth grade students. Carving pumpkins and visiting the zoo may become more ordinary as we grow up, but for a young child who may not have the social and familial support many of us take for granted, the significance can be profound. The same spirit inspires our work at Doernbecher Children's Hospital, an organization near and dear to the hearts of so many Unitus members and employees. This year's activities included visiting patients to make art together, weaving colorful blankets featuring beloved cartoon characters for the kids, and donating more than \$50,000 to the hospital. We are



thrilled to say that we began a partnership with the Oregon Food Bank in 2017, raising awareness and driving donations to help more than 640,000 Oregonians find a reliable source for their next meal.

In our mission to improve the well-being of our community, there are few investments more impactful than educating and inspiring curiosity. Throughout the year, both members and non-members were invited to build essential financial skills at no cost at one of the 70+ financial seminars presented by Unitus financial trainers. The seminars shined a spotlight on life's most important financial needs such as buying a home and building excellent credit. That said, the speed of life today can make it difficult to carve out time for a formal seminar. To make finances simpler in a more portable way, the Financial Life Minutes series debuted. These short, interactive financial learning videos allow members to learn on their own time about more than 20 financial topics. We encourage all members to take advantage of this tool on our website and look ahead to 2018 when we will introduce specially curated "playlists" of complementary videos. Similarly, in early 2018 we will launch a brand new series of financial education seminars, featuring carefully curated content comprised of infographics, charts, graphs, explanations and interactive exercises.

Our credit union was recognized in 2017 for our efforts, both new and ongoing, to support vital community organizations in the Northwest. In June, our Dream Come True program, founded last year in partnership with Oregon State University, won the "Best Overall Performance" at Learfield Communication's fourth annual CLYDES Ceremony. The program was selected among 120 schools across all sports. What's more, the Dream Come True program was again recognized months later with the Dora Maxwell Award for Social Responsibility and Community Service from the Northwest Credit Union Association. In October, Unitus earned the Corporate Philanthropy Award from the Portland Business Journal for further building on our decades-long commitment to working year-round with our trusted community partners.

Reflecting on 80 years spent serving our members, we are filled with gratitude for all of the members who make up our community and the inspiring stories they

share with us. We are fortunate to have a team of individuals who each take pride in service to our community, and who invest themselves whole-heartedly into helping our members achieve success. As our credit union works enthusiastically each day to approach our vision to provide legendary member service, we are buoyed by the knowledge that as our members grow, so do we as a credit union and community. We are all stronger together. To each of our members, please accept our heartfelt thanks for choosing Unitus as your trusted partner in improving your financial well-being. Since our very first day as a cooperative, we have and always will be invested in you.

Frank Chinn
Frank Chinn, Chair



Investing in Each Other

Our milestone 80th anniversary this year gave us cause to reflect on our founding principles. In July 1937, our founders joined together toward one goal: to lend each other funds in order to provide better futures for themselves and their families. Though we offer more sophisticated online, mobile, and in-person member services today, if you walk into any Unitus branch you will recognize that the heart of our work has not changed. Our members come first, always. It is the reason we work enthusiastically every day to realize new ways for our members to save more, earn more, and delight in our community.

A MESSAGE FROM
CEO/TREASURER

Highlights

This year brought many highlights, including continued growth in our key measures, enhancements to core organizational structures, and significant growth in deposits, member business loans, and total capital. Our asset growth continued beyond the \$1 billion milestone we achieved near the end of 2016, reaching more than \$1.1 billion by year's end. Beginning in July, our team structure incorporated the Assistant Vice President role, enabling us to more efficiently develop and launch member service enhancements. Our commercial real estate loans and business credit card loans each experienced record growth, indicating strength in our local economy.

The past year featured some rare and noteworthy moments, including our hosting African financial leaders to share best practices in finance, a viewing of the total solar eclipse with international credit union executives, and a live concert anniversary celebration for our members and employees. In partnership with WorldOregon, African leaders in finance, government, and commerce joined us at our headquarters to share knowledge and study our core values of openness, honesty, and transparency in finance. That same month, the total solar eclipse gave us an opportunity to share a remarkable experience with credit union leaders from South and Central American countries including Colombia, Guatemala, and Costa Rica. Working with the World Council of Credit Unions, we hosted our friends for an unforgettable eclipse viewing in the path of totality at our Salem branch. In the summer, all of our branches hosted members for anniversary festivities, culminating in a live open-air concert by the always-dynamic Hit Machine.

Member Service Enhancements

Improving member service is a priority every year, month, week, and day for Unitus. This year featured enhancements in key areas such as member support phone calls, member loan applications, and ATM improvements. Throughout the year, independent analysts reviewed our member support call center from top to bottom in order to improve the member calling experience. To reduce wait times and transfers, we improved the automated phone system to match members more quickly with the specific employee who can help them most. After making adjustments to match industry-leading practices we are thrilled to report that the work paid off. The year saw sharp decreases in average member hold time and overall call time. Between July and December, the longest wait time of any member support call plummeted by 67 percent. Over this same period, our service level nearly tripled, showing that our members' needs are being served faster and more effectively.

To improve online loan applications, we used member feedback to guide the re-evaluation of our loan application system. Throughout the year, a team comprising almost every Unitus department worked to replace the previous system from the ground up. As of December 2017, applying for a loan at Unitus is easier, simpler, and more intuitive than it was at the beginning of the year.

This year saw the debut of a new online and mobile learning tool for those members eager to take their future into their own hands. Unitus members can now access valuable financial insights on their own time with Financial Life Minutes, a series of interactive online learning videos. They take an average of 5 minutes to complete, can be paused and picked up later, and will help personalize your financial instruction to best match your own goals. That said, no matter how powerful phones get, branches are still important. To give members more convenient access, Unitus increased the number of ATMs at our branches this year. At the same time, we upgraded the software on all of our ATMs to improve reliability and user experience.

Financial Health

Our total capital, which represents the ownership by our members, continued its strong pace, growing \$9.3 million, or 8.4% over 2016. Our members' financial health is substantial and improving. As their ownership grows, our stable foundation of capital will benefit each individual member even more.

TOTAL CAPITAL

YEAR	BALANCE	\$ CHANGE	% CHANGE
2013	81,914,000	(3,074,000)	(3.6%)
2014	92,834,000	10,920,000	13.3%
2015	101,612,000	8,778,000	9.5%
2016	110,962,000	9,350,000	9.2%
2017	\$120,289,000	\$9,327,000	8.4%

Gross Loans increased by more than \$67.1 million this year, a gain of 9.0% over 2016. Our loan origination team kept busy, helping members close on new homes, finance car loans, open new credit cards and even embark on new business ventures. Today, members have borrowings on our balance sheet more than \$809.1 million.

GROSS LOANS

YEAR	BALANCE	\$ CHANGE	% CHANGE
2013	556,070,000	32,595,000	6.2%
2014	600,334,000	44,264,000	8.0%
2015	667,589,000	67,255,000	11.2%
2016	742,006,000	74,417,000	11.1%
2017	\$809,147,000	\$67,141,000	9.0%

Our credit union experienced noteworthy growth in member business loans, improving by more than \$16.7 million, or 24.5% year over year. Growth in our member business loans gives us reason for optimism since it tends to correlate with growth in our members' small and local businesses, a strong indicator of a healthy economy.

MEMBER BUSINESS LOANS

YEAR	BALANCE	\$ CHANGE	% CHANGE
2013	50,437,000	11,457,000	29.4%
2014	54,053,000	3,616,000	7.2%
2015	60,900,000	6,847,000	12.7%
2016	68,556,000	7,656,000	12.6%
2017	\$85,349,000	\$16,793,000	24.5%

Our Unitus Mortgage team assisted more than 1,400 members throughout the year in achieving the dream of home ownership or refinancing their existing home loan. While our ending mortgage balance grew by \$35 million, or 9.9% over 2016, we are most excited to report that our Mortgage Net Promoter Score ("NPS") finished above 80%. The NPS score is a measure of member satisfaction determined directly by the members, and this represents an exemplary score in the marketplace.

MORTGAGE LOANS

YEAR	BALANCE	\$ CHANGE	% CHANGE
2013	235,192,000	5,018,000	2.2%
2014	240,162,000	4,970,000	2.1%
2015	295,638,000	55,476,000	23.1%
2016	355,615,000	59,977,000	20.3%
2017	\$390,659,000	\$35,044,000	9.9%

“ My Loan Officer Phaysy was available and ready to help every step of the way. She was flexible, responsive, clear, and friendly. I did receive the best service I could possibly imagine (better than my expectations!). I would recommend Unitus to my friends and Family for Home Mortgage and Banking services.”

~ N. House, member for 11 months

Total member deposits grew by more than \$58.4 million this year, an improvement of 6.3% over 2016. This increased cash reserve gives members the freedom and flexibility to take control of their lives and invest in their families' short- and long-term plans. Unitus membership grew by more than 2,800 this year, totaling nearly 90,000 by year's end. The more members come together to contribute funds, the more leverage we each have to lower rates, increase savings, and improve member services.

DEPOSIT TOTALS

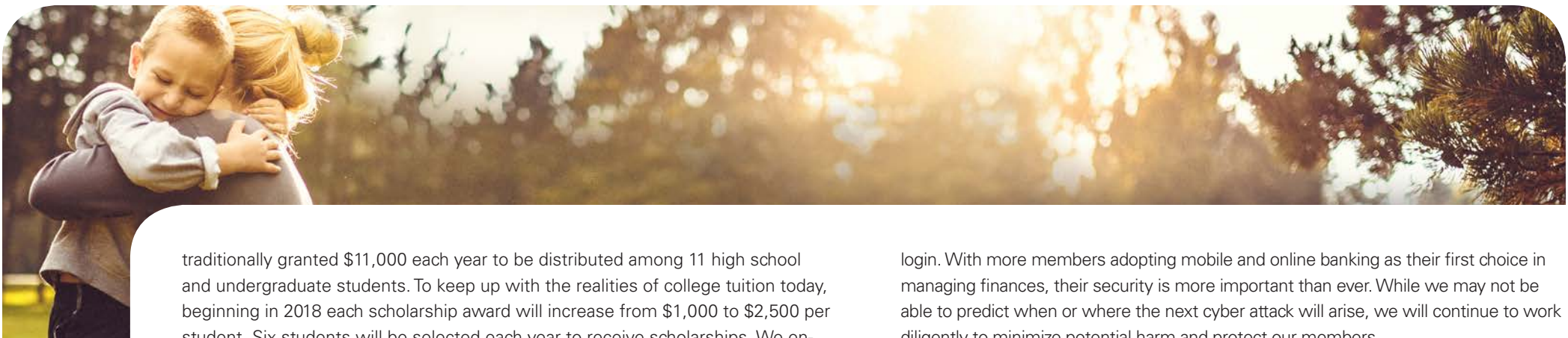
YEAR	BALANCE	\$ CHANGE	% CHANGE
2013	824,322,000	21,768,000	2.7%
2014	811,089,000	(13,233,000)	(1.6%)
2015	856,322,000	45,233,000	5.6%
2016	921,371,000	65,049,000	7.6%
2017	\$979,812,000	\$58,441,000	6.3%

Community Impact

With our core principles guiding us, our credit union remained a steady presence in the community this year. Our Dream Come True program in partnership with Oregon State Athletics was recognized by multiple sources for its positive impact, giving ailing children and their families memories to cherish forever. If you haven't acquainted yourself with the program, I encourage you to watch the video of Silas, a 3-year-old boy recovering from pediatric stroke, spending the day with Jake, OSU's quarterback. The video, featured in our Connections Newsletter from the first quarter of 2018, offers a heartwarming look at the difference the program makes in the lives of young children and their families. We are thrilled to announce that in 2018 we will expand the program to include the Men's and Women's Beaver Basketball teams as well.

In our third year sponsoring the Portland Rose Festival, our connection with the remarkable Court Princesses was stronger than ever before. All but one of the 15 Princess mentors were Unitus employees, highlighting the abundance of talented women we are fortunate to work with in our company and in our community. The Princesses visited Doernbecher Children's Hospital to help make blankets for the kids, attended a preparatory financial seminar for life in college, and shadowed Unitus' women of influence to learn valuable life and career lessons. Some Princesses will maintain a close relationship with their mentor for years to come.

There may be no greater community investment than the education of our children. In order to reward healthy habits in academics and community involvement, Unitus has



A MESSAGE FROM
CEO/TREASURER

traditionally granted \$11,000 each year to be distributed among 11 high school and undergraduate students. To keep up with the realities of college tuition today, beginning in 2018 each scholarship award will increase from \$1,000 to \$2,500 per student. Six students will be selected each year to receive scholarships. We encourage all students with a strong work ethic and a thirst for learning to apply and take advantage of this gift.

Responding to Communities in Need

This year saw an unusual number of disasters both natural and incidental, some of which hit very close to home for us. While hurricanes devastated the southern and eastern parts of America, wildfires raged in Northern California and along the Columbia River Gorge. In response to these unforeseen events, Unitus gathered resources to aid in relief efforts. We are thankful to our employees and our members for answering the call and together providing support for those communities in need. By the end of the year, together we donated \$10,000 to the Northwest Credit Union Foundation for Eagle Creek fire victims and hurricane relief, as well as \$5,000 to the Redwood Credit Union Fund for fire relief in Northern California. Additionally, we donated \$10,000 to the Worldwide Foundation for Credit Unions, Inc. to support developing nations through natural disasters.

Cybersecurity

Cybersecurity was a subject of many headlines in 2017. As part of our ongoing commitment to keep our members secure, Unitus implemented various measures to improve member security. Knowing that credit card fraud is the most common culprit, we fully reissued enhanced-security EMV chip cards to all card-holding Unitus members by the end of the year. This has and will significantly reduce card fraud losses for our members. Another support measure we added this year to minimize damage from fraud was our fraud text alert system. Members can now opt-in to receive text message alerts notifying them instantly of suspicious activity on their account. A quick response is key in preserving peace of mind and minimizing fraud losses. On the retail side, Unitus launched full support for Digital Wallet services such as Apple Pay and Android Pay. These tokenization platforms add an extra layer of security to each retail transaction and make retail purchases more convenient. Now that each of us has a supercomputer in our pocket, security in mobile banking is paramount. Our mobile banking app continues to provide the highest level of security measures available, including multi-factor authentication and fingerprint

login. With more members adopting mobile and online banking as their first choice in managing finances, their security is more important than ever. While we may not be able to predict when or where the next cyber attack will arise, we will continue to work diligently to minimize potential harm and protect our members.

TECHNOLOGY GROWTH (ANNUAL)

YEAR	MOBILE BANKING	eSTATEMENTS	BILL PAY
2013	38%	45%	28%
2014	41%	49%	35%
2015	45%	52%	40%
2016	49%	56%	43%
2017	50%	51%	45%

Building on the momentum from our record year in 2016, our credit union closed 2017 having reached every one of its critical goals set on January 1. To continue our sustained growth, our board recently approved a refined set of key performance metrics to meet in 2018. Our plans include member service enhancements in all areas including online and mobile banking. By the end of 2018, we will have opened two new branches, one in Multnomah Village and one in Westmoreland. As always, we will continue to offer new products to help our members save money, earn more and build knowledge to continuously improve their financial well-being. Thank you to our board, leadership team and employees for working together to make life better for our members. Thank you to our members for choosing Unitus as your trusted financial institution. Our greatest joy comes from helping our members grow, prosper, and make a difference in our communities.

Steven Stapp
Steven Stapp, CEO, President





The Audit Committee is made up of five volunteer members appointed by the Board of Directors whose primary responsibilities are to obtain services of an audit firm to complete an annual report on the financial condition of the Credit Union, coordinate the verification of member accounts, and monitor the review of internal controls, compliance with laws and regulations, and code of conduct activities.

As part of fulfilling its duties, the Committee engaged the independent accounting firm Moss Adams LLP to conduct the financial audit, manage the process to verify member accounts, and provide an opinion of the financial statements as a whole. Summarized financial statements prepared by management have been included

in this annual report. In preparing the financial statements, management depends upon the Credit Union's system of internal controls in meeting its responsibility for reliable information. The Committee relies on internal audit to review, measure, and report on the internal control environment and regulatory compliance activities of business processes.

It is the opinion of the Audit Committee that Unitus Community Credit Union's financial operations and system of internal controls are sound based on reports and information received. I'd like to thank the Audit Committee members for their commitment, energy, and enduring effort throughout 2017.

Board of Directors

Frank Chinn, Chair
Somnath Banerjee, Vice Chair
Will Rader, Secretary
Sue Iggulden, Director
Gordon Akeson, Director
Rhonda Cramer, Director
Matthew Micetic, Director

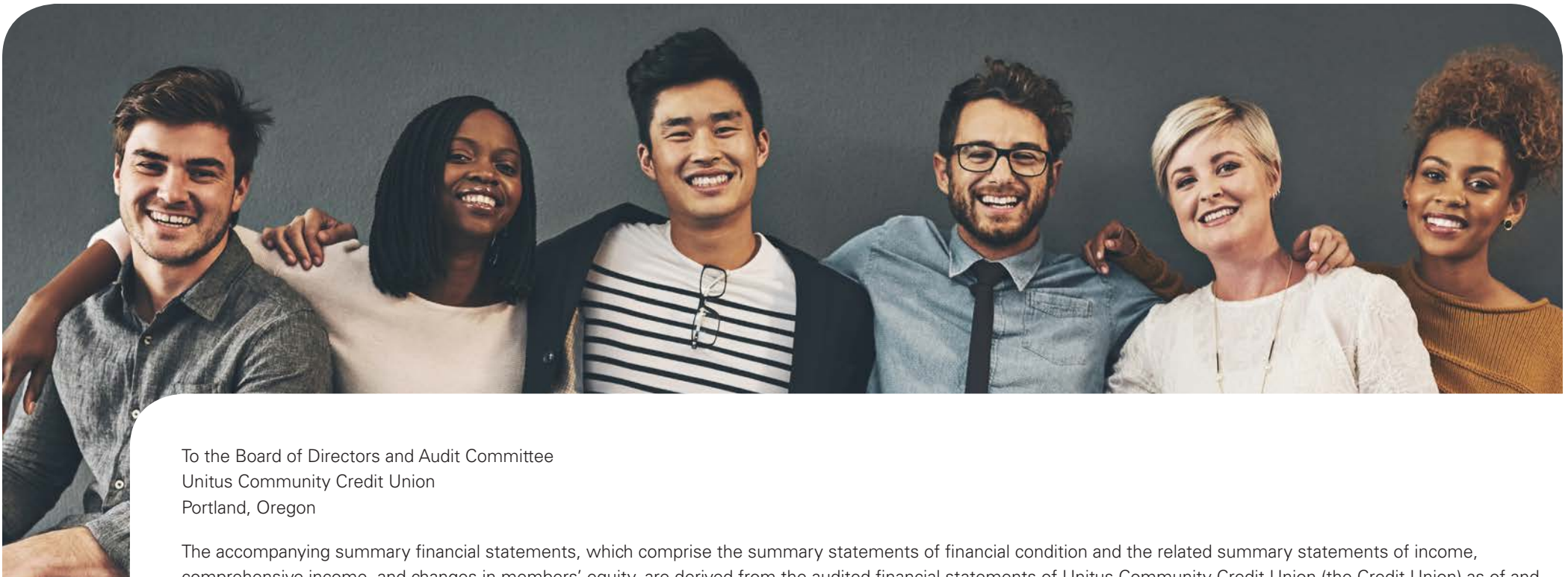
Audit Committee

Luke Watson, Chairman
Rhonda Cramer, Committee Member
Tiffini Mueller, Committee Member
Jason Beane, Committee Member
Sarah Bang, Committee Member



Luke Watson, Chairman

REPORT OF THE
AUDIT COMMITTEE



REPORT OF
INDEPENDENT AUDITORS

To the Board of Directors and Audit Committee
Unitus Community Credit Union
Portland, Oregon

The accompanying summary financial statements, which comprise the summary statements of financial condition and the related summary statements of income, comprehensive income, and changes in members' equity, are derived from the audited financial statements of Unitus Community Credit Union (the Credit Union) as of and for the years ended December 31, 2017 and 2016. We expressed an unmodified audit opinion on those financial statements in our report dated March 1, 2018.

The summary financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Credit Union.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion about whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with auditing standards generally accepted in the United States of America. The procedures consisted principally of comparing the summary financial statements with the related information in the audited financial statements from which the summary financial statements have been derived.

Opinion

In our opinion, the summary financial statements of the Credit Union as of and for the years ended December 31, 2017 and 2016 referred to above are consistent, in all material respects, with the audited financial statements from which they have been derived.

Moss Adams LLP
Portland, Oregon
March 1, 2018



STATEMENTS OF FINANCIAL CONDITION

	December 31	
	2017	2016
Assets		
Cash and cash equivalents	\$ 111,671,000	\$ 97,617,000
Investment securities available for sale, at fair value	166,037,000	176,326,000
Investment securities trading, at fair value	537,000	—
Restricted equity securities	1,258,000	1,175,000
Loans receivable, net	810,914,000	747,402,000
Accrued interest receivable	3,356,000	2,958,000
National Credit Union Share Insurance Fund deposit	9,329,000	8,518,000
Property and equipment, net	7,685,000	7,068,000
Other assets	7,237,000	6,861,000
Total Assets	<u>\$ 1,118,024,000</u>	<u>\$ 1,047,925,000</u>
Liabilities		
Members' share and savings accounts	\$ 979,812,000	\$ 921,371,000
Borrowed funds	—	—
Accrued expenses and other liabilities	17,924,000	15,592,000
Total Liabilities	<u>997,736,000</u>	<u>936,963,000</u>
Members' Equity		
Regular reserves	23,423,000	23,423,000
Undivided earnings	96,105,000	85,799,000
Accumulated comprehensive income	760,000	1,740,000
Total members' equity	<u>120,288,000</u>	<u>110,962,000</u>
Total Liabilities and Members' Equity	<u>\$ 1,118,024,000</u>	<u>\$ 1,047,925,000</u>



STATEMENTS OF INCOME

	Years Ended December 31	
	2017	2016
Interest Income		
Loans receivable	\$ 28,613,000	\$ 25,670,000
Investment securities and cash equivalents	4,193,000	4,099,000
Total Interest Income	32,806,000	29,769,000
Interest Expense		
Dividends on members' share accounts	2,103,000	1,966,000
Borrowed funds	1,000	234,000
Total Interest Expense	2,104,000	2,200,000
Net Interest Income	30,702,000	27,569,000
Provision for loan losses	1,792,000	1,493,000
Net interest income after provision for loan losses	28,910,000	26,076,000
Non-Interest Income		
Service charges and fees	13,936,000	13,903,000
Mortgage banking and loan servicing income	5,391,000	5,979,000
Gain on sale of investment securities, available-for-sale	—	21,000
Other non-interest income	19,000	12,000
Total Non-Interest Income	19,346,000	19,915,000
Non-Interest Expense		
Compensation and benefits	20,841,000	19,061,000
General and administrative	17,109,000	16,296,000
Total Non-Interest Expense	37,950,000	35,357,000
Net Income	\$ 10,306,000	\$ 10,634,000



STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2017	2016
Net Income	\$ 10,306,000	\$ 10,634,000
Other Comprehensive (Loss)		
Unrealized (losses) on securities available-for-sale	(980,000)	(1,263,000)
Reclassification adjustment for realized gain on sale of investment securities available-for-sale	—	(21,000)
Total Other Comprehensive (Loss)	(980,000)	(1,284,000)
Comprehensive Income	\$ 9,326,000	\$ 9,350,000

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	Total Members' Equity	Regular Reserves	Undivided Earnings	Accumulated Other Comprehensive Income
Balance at December 31, 2015	\$ 101,612,000	\$ 23,423,000	\$ 75,165,000	\$ 3,024,000
Net Income	10,634,000	—	10,634,000	—
Other Comprehensive Loss	(1,284,000)	—	—	(1,284,000)
Balance at December 31, 2016	110,962,000	23,423,000	85,799,000	1,740,000
Net Income	10,306,000	—	10,306,000	—
Other Comprehensive Loss	(980,000)	—	—	(980,000)
Balance at December 31, 2017	\$ 120,288,000	\$ 23,423,000	\$ 96,105,000	\$ 760,000



Unitus Community Credit Union

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