



Unitus[®]
COMMUNITY CREDIT UNION

..... 2012 Annual Report

Federally Insured by NCUA

A Message to our Members

THE SUCCESS OF UNITUS COMMUNITY CREDIT UNION IN 2012 AND OVER THE LAST 75 YEARS WAS NOT A FLUKE OR STROKE OF LUCK. THE ACHIEVEMENTS OF LAST YEAR, LIKE THOSE BEFORE IT, WERE FORGED IN THE DEDICATION OF OUR MANAGEMENT AND STAFF TO HELP OUR MEMBERS BUILD THEIR WEALTH AND SUCCEED FINANCIALLY. IT WAS ACCOMPLISHED BY STAYING TRUE TO OUR MISSION AS A CREDIT UNION—OPERATING WITH REVERENCE TO OUR PAST, COMMITMENT TO OUR MEMBERS, AND WITH A VISION FOR THE FUTURE.

DEEPLY ROOTED

We celebrated our 75th anniversary in 2012 with events that had us looking back and giving back. Each branch held its own celebration during the summer months, saying ‘thank you’ to our membership with refreshments and prizes. A celebratory luncheon with the Oregon members of the Telephone Pioneers of America (retired telephone employees) was a highlight of the year recognizing their contribution to our modest beginnings as an employee-only credit union. It was rewarding as we listened to former telephone employees tell their personal stories about the Credit Union helping them finance their first homes or cars; purchase tools for their first job; get a tuition loan for their children to go to college; and other examples of how the Credit Union improved their financial lives and fulfilled their personal dreams.

Those deep roots in the community and to the credit union are evident in the composition of our Board of Directors. Our Board has made a conscious effort to add Board members who represent our expanded field of membership with a balanced mix of tenured and newer members who bring a variety of backgrounds, community service, and expertise to Unitus. Sadly, one of our past Board chairs and member of our Board of Directors for more than 20 years, Barbara Leonard, passed away in October 2012. Barbara left behind a legacy not just to her family and community, but to her

credit union as well. Barbara received a number of local and national awards for her service to the community. It was this compassion for others and her passion to make a difference at Unitus that led the Northwest Credit Union Association to award Barbara with the Honor Roll and Hall of Fame Award for her volunteer and community service in 2011.

The employees and staff of Unitus continue to embrace the community service ideals of volunteers like Barbara. We approach community involvement with excitement and humility at being able to give back in unique ways to the people who support us—and need us most. In 2012, for example, we donated \$1000 to the Helping Hands Toy Drive, donated calculators and math templates to the West Tualatin View Elementary School Math Lab, and delivered over 30 crates of bagged groceries to the Good Neighbor Center in response to a food pantry emergency. In some cases, we added a slight twist to commemorate our 75th Anniversary. We delivered 75 “warm packs” filled with gloves, hats, and wool socks to SHARE who gave them out to area homeless; provided treat bags filled with dog biscuits in the shape of the numbers “7” and “5” to the Southwest Washington Humane Society; and volunteered and passed out goodies during the arrival of Portland’s Christmas Tree, a 75-foot Douglas Fir.

GROWING FORWARD

As you review the Annual Report, you will realize that the strategic vision for Unitus is being realized every year through sound management and prudent decision-making. In 2012 Unitus became one of the first credit unions to receive public fund deposits by the City of Portland, in addition to existing city deposits from Beaverton and Salem. In an effort to enhance the city's management of public funds by keeping 'local funds local', the Portland city commissioners and Mayor Sam Adams implemented a program that increases the percentage of public funds deposited and maintained in local financial institutions, now including credit unions. This program recognizes those local financial institutions that are financially sound and maintain strong business practices. Unitus was one of three Portland credit unions and eight financial institutions to receive the deposit from the city.

From the unique weather to famous coffee and our penchant for great music, the Pacific Northwest revels in its history and culture. At Unitus, we are proud of our heritage in the Pacific Northwest and with an eye to the future, we continue to build upon our strategic vision for our members now and in the years ahead. As Oregon's state flower, the Oregon-grape, digs its roots deep each winter to prepare to bloom each spring, Unitus took similar steps in 2012 by expanding our Field of Membership charter to everyone who lives or works in eight

additional Oregon counties and the entire state of Washington, which allows us to offer our innovative financial services to more friends, family, and co-workers of our members and to additional consumers within our shared communities. Our diamond anniversary year ended with strong financial performance and a greater expansion of our product and service offerings to more consumers in Oregon and Washington.



Don Mason, Chair

“Listening and responding to our membership has always been a hallmark of our organization.”



Board of Directors

Don Mason, Chair
Susan Iggulden, Vice Chair
Tom Faulkner, Secretary

Gordon Akeson, Director
Lora Dakin, Director
Jim Lewis, Director
Scott Thompson, Director

Audit Committee

Luke Watson, Chair
Rhonda Cramer, Committee Member
Mike Stepan, Committee Member
Natalya Vasilenko, Committee Member

Deeply Rooted. Growing

ROOTS BEFORE BRANCHES—IN ORDER FOR SOMETHING TO GROW, ITS ROOTS MUST BE STRONG. UNITUS COMMUNITY CREDIT UNION HAS BEEN ESTABLISHING AND CARING FOR OUR ROOTS FOR OVER 75 YEARS NOW. OUR ROOTS SUPPORT AND SECURE US DURING TOUGH TIMES, AND ALSO PROVIDE STRENGTH FOR FUTURE GROWTH. THE PAST FOUR RECESSIONARY YEARS TESTED THE STRENGTH OF OUR ROOTS.

LOCAL CONFIDENCE—NATIONAL UNCERTAINTY

National and global economic uncertainty continued in 2012 as Congress debated the debt ceiling and narrowly averted the fiscal cliff, and the world markets felt the impact of the presidential election and Europe's own financial crisis. Locally, improvement was evident in the decreasing unemployment rate in Oregon and Washington. Portland-Vancouver-Hillsboro home prices were up 5.4% from the prior year and up 7.4% nationally, poising the housing market as the rising star of the economic recovery.

1st Mortgage Loans Originated

YEAR	DOLLARS ORIGINATED	DOLLARS CHANGED	PERCENT CHANGE
2008	98,330,793	31,849,987	47.9%
2009	187,110,735	88,779,942	90.3%
2010	124,322,866	(62,787,869)	-33.6%
2011	85,703,859	(38,619,007)	-31.1%
2012	133,364,236	47,660,377	55.6%

Unitus Community Credit Union remained focused on meeting the borrowing needs of our consumer and business members with innovative and competitive products and services. We realized a 36.7% increase in our business-lending portfolio, a 7.7% growth in our vehicle loan portfolio, and a 17.6% increase in our credit card portfolio over the prior year, originating \$410 million in loans by year-end.

Total Loans Originated (minus 1st mortgages)

YEAR	DOLLARS ORIGINATED	DOLLARS CHANGED	PERCENT CHANGE
2008	116,420,377	(64,012,672)	-35.48%
2009	94,747,892	(21,672,485)	-18.62%%
2010	208,650,994	113,903,102	120.22%
2011	225,934,898	17,283,904	8.28%
2012	276,582,889	50,647,991	22.42%

Focusing on innovative approaches enabled us to help a local, woman-owned small business get the temporary credit line increase she needed to keep her business running efficiently. Our specialists met with the business owner to understand firsthand her specific needs regarding the cash flow pressure she was experiencing during a short-term project. They made recommendations to eliminate complexities and offered advice on how to sustain the business for the long-term financial health. Our flexibility and her willingness to partner created a winning combination that depicts our commitment to build strong, profitable businesses and business relationships. In addition to her business credit line increase, Unitus ended 2012 with 104 new business loans totaling over \$19 million dollars.

While 2012 was still a challenging year, our expanded membership charter strengthened our ability to remain financially sound and well positioned, demonstrated by our

7.1% asset growth over 2011. We thrived with a 4% membership growth and more than double deposit growth of 9.9%.

Membership Growth

YEAR	TOTAL MEMBERS	NEW MEMBERS	% GROWTH
2008	63,983	1,241	2.0%
2009	67,372	3,389	5.3%
2010	71,575	4,203	6.2%
2011	77,052	5,477	7.7%
2012	80,165	3,113	4.0%

Our net worth to assets ratio continues to remain strong at 9.3%, well over the 7% ratio required by the National Credit Union Administration (NCUA) as well capitalized and sound. Additionally, the success of our credit union can be seen in the performance of our products and services. Most notably, checking account penetration is at 63.2% of membership with 50,772 accounts.

Checking Growth (Share drafts)

YEAR	CHECKING BALANCES	DOLLARS CHANGED	% GROWTH
2008	54,528,519	4,086,876	8.1%
2009	72,497,986	17,969,467	33.0%
2010	81,454,670	8,956,684	12.4%
2011	100,568,378	19,113,708	23.5%
2012	122,396,448	21,828,070	21.7%

Members are also relying more heavily on our electronic services with increased penetration for both e-Statements (30% in 2011 compared to 36% in 2012) and mobile banking (17% in 2011 compared to 25% in 2012). Utilization of our other

electronic products is also growing with 34,947 uOnline users (43.6%), 16,620 Bill Pay members (21.4%), and 1,447 Total Finance registrants (1.9%) at year-end. To ensure effortless access to your online accounts, we maintained 99.95% system availability and launched "Porter" as your online personal guide to our remote services anywhere you are with a smartphone, tablet, or PC. In 2013, we will assist in introducing remote deposit capture for added check deposit convenience for our members.

KEEPING THE MEMBER IN MIND

Every decision we make is with the member in mind. That philosophy has kept us grounded and successful for 75 years. And sometimes those decisions get noticed beyond our members. We knew our bike loans were special and unique for our members, and now bike owners around the globe got the heads up on this innovative loan product. Anne Lee, Deputy Director of the Community Cycling Center in Portland, wrote "Where to Bike—Portland" and included the Unitus Bicycle Loan as a reader/biker resource. The book, launched in October, was released by Lake Wangary Publishing Company in Australia as part of their international "Where to Ride" and "Where to Bike" book series.

Dr. Satoshi Uchida, a prominent Japanese banking expert with Ibaraki University, selected Unitus Community Credit Union to participate in his research study on the importance of relationship banking. According to Dr. Uchida, the lack of personal connection and community identity are growing problems in Japan's banks (primarily consisting of very large banks) that may end up undermining public confidence in the country's financial system. As a local model of success, Unitus was of particular interest to Dr. Uchida since Japan lacks a robust local banking industry. In his letter requesting our participation, Dr. Uchida said he chose Unitus for our strong online brand presence, noting

the 75-year history of service and reputation for maintaining a strong commitment to members' financial well-being.

Our newly redesigned website received the "Outstanding Website" award by the Web Marketing Association. Judged on seven criterion—design, interactivity, technology, content, innovation, copywriting, and ease of use by the target audience—unitusccu.com exceeded the industry benchmarks and was recognized with the designation of excellence. We were very surprised and honored to receive this recognition.

Our employees are members, too. To that end, Unitus takes organizational culture seriously and fosters a positive workplace atmosphere. In 2012 we were named one of "100 Best Companies to Work for in Oregon" by Oregon Business Magazine and premiered as No. 7 among large companies on the prestigious annual list. The 100 Best list recognizes excellence in work environment, management and communications, decision-making and trust, career development and learning, and benefits.

YOUR SUCCESS IS OUR #1 PRIORITY

Listening and responding to our membership has always been a hallmark of our organization. After receiving a number of member requests and survey responses to stay open later, we analyzed our data and confirmed a higher transaction level after 5pm. We shifted our hours to serve you better and our branches are now open from 9:00am to 6:00pm Monday through Friday. We also expanded our Saturday hours (with the exception of Unitus Plaza and Peterkort-both closed on Saturdays) from 10:00am to 3:00pm to give you an extra hour of flexibility in your busy weekend schedules. We will continue to monitor all member requests and concerns to ensure we are operating in your best interest. We're not just here for you—we're here because of you.

We know money matters can be complicated. We also understand that work and family obligations have stretched your time leaving little left over to search for resources and

learn new skills. That is why we brought you Navigating Your Money—an internet radio show designed to help you deepen your understanding of money. Each episode guides you through financial topics like paying for college, teaching your kids about money, buying a home, or surviving a crisis. The best part—you can listen to the show when YOU have the time. Engaging and entertaining, Navigating Your Money is available to listen to or download on iTunes, Stitcher Radio, the Unitus Facebook page, or on our website unitusccu.com.

LOOKING AHEAD

Roots before branches. Making sure we have top talent on board at Unitus is tantamount to watering our roots. Our Leadership Team, a talented group of individuals, is continuously striving to provide cost effective products and services as well as redefining convenience for our members. An important part of what our Team manages every day involves technology. Brian Irvine, Vice President of Technology and Chief Information Officer, oversees our IT division and was honored in 2012 as the Credit Union Professional of the Year by the Northwest Credit Union Association. The award honors individuals who promote the credit union philosophy, create innovative concepts, and provide leadership that has a significant and lasting impact on the credit union movement.

2013 is planned to be another exciting year, with additional focus on re-defining convenience for our members as well as service enhancements. We will continue to develop products and services that make a positive difference in our members' lives and in the communities we serve.



Patricia E. Smith

Patricia E. Smith, CEO/Treasurer



Report of the Audit Committee

The Audit Committee is made up of four volunteer members appointed by the Board of Directors whose primary responsibilities are to retain services for 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 consolidated financial statements as a whole. Summarized consolidated financial statements prepared by management have been included in this annual report. In preparing the consolidated 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 2012.



Luke Watson, Chair

Report of Independent Auditors

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated statements of financial condition of Unitus Community Credit Union and Subsidiary as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income (loss), changes in members' equity, and cash flows (not presented herein) for the years then ended; and in our report dated March 5, 2013, we expressed an unmodified opinion on those consolidated

financial statements. In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which they have been derived.

Moss Adams LLP
Portland, Oregon
March 5, 2013



Consolidated Statements of Financial Condition

	December 31,	
	2012	2011
Assets		
Cash and cash equivalents	\$ 148,551,895	\$ 117,078,021
Trading securities, at fair value	372,755	-
Investment securities available for sale, at fair value	210,179,547	212,556,538
Restricted equity securities	3,391,600	3,453,000
Loans receivable, net	524,123,112	492,275,309
Accrued interest receivable	2,952,976	2,896,841
National Credit Union Share Insurance Fund deposit	7,574,423	6,824,487
Property and equipment, net	10,118,193	11,222,530
Other assets	5,073,660	5,508,954
Total assets	\$ 912,338,161	\$ 851,815,680
Liabilities		
Members' share and savings accounts	\$ 802,553,690	\$ 730,469,561
Borrowed funds	15,004,833	40,008,641
Accrued expenses and other liabilities	9,792,022	12,086,336
Total liabilities	827,350,545	782,564,538
Controlling Interest in Members' Equity		
Regular reserves	23,423,471	23,423,471
Undivided earnings	62,026,913	57,648,619
Accumulated comprehensive loss	267,460	(11,314,446)
Noncontrolling Interest in Subsidiary	(730,228)	(506,502)
Total members' equity	84,987,616	69,251,142
Total liabilities and members' equity	\$ 912,338,161	\$ 851,815,680

Consolidated Statements of Income

	Years Ended December 31,	
	2012	2011
Interest Income		
Loans receivable	\$ 24,782,805	\$ 25,807,093
Investments and cash equivalents	7,879,578	9,448,498
Total interest income	32,662,383	35,255,591
Interest Expense		
Dividends on members' share accounts	6,779,955	7,364,502
Borrowed funds	1,420,671	1,624,310
Total interest expense	8,200,626	8,988,812
Net Interest Income	24,461,757	26,266,779
Provision for loan losses	2,860,078	1,980,524
Net interest income after provision for loan losses	21,601,679	24,286,255
Non-Interest Income		
Service charges and fees	11,902,004	9,565,976
Mortgage banking and loan servicing income	5,457,766	3,563,075
Gain (loss) on investment securities		
Gain on sale of investment securities, net	3,106,632	792,178
Unrealized gain on trading security	372,755	-
Total other-than-temporary impairment losses	(2,565,315)	(2,132,452)
Total gain (loss) on investment securities, net	914,072	(1,340,274)
Total other noninterest income	39,897	14,869
Total non-interest income	18,313,739	11,803,646
Non-Interest Expense		
Compensation and benefits	16,885,864	16,176,220
General and administrative	18,155,416	16,120,911
National Credit Union Administration assessments	719,570	1,706,120
Total Non-Interest Expense	35,760,850	34,003,251
Net income	4,154,568	2,086,650
Noncontrolling interest in net loss (income) of subsidiary	223,726	(72,313)
Controlling interest in net income	\$ 4,378,294	\$ 2,014,337

Consolidated Statements of Comprehensive Income (Loss)

	Years Ended December 31,	
	2012	2011
Net Income	\$ 4,154,568	\$ 2,086,650
Other Comprehensive Income (Loss)		
Distribution to noncontrolling interest in subsidiary	-	(84,003)
Unrealized gains (losses) on securities available-for-sale	12,123,223	(4,678,341)
Reclassification adjustment for realized gains on securities available-for-sale	(3,106,632)	(792,178)
Reclassification adjustment for other-than-temporary impairment realized in net income	2,565,315	2,132,452
Total other comprehensive income (loss)	11,581,906	(3,422,070)
Comprehensive Income (Loss)	\$ 15,736,474	\$ (1,335,420)

Consolidated Statements of Changes in Members' Equity

	CONTROLLING INTEREST IN MEMBERS' EQUITY				
	Total Members' Equity	Regular Reserves	Undivided Earnings	Accumulated Comprehensive Income (Loss)	Noncontrolling Interest in Subsidiary
Balance at December 31, 2010	\$ 70,586,562	\$ 23,423,471	\$ 55,634,282	\$ (7,976,379)	\$ (494,812)
Net income	2,086,650	—	2,014,337	—	72,313
Other Comprehensive loss	(3,422,070)	—	—	(3,338,067)	(84,003)
Balance at December 31, 2011	69,251,142	23,423,471	57,648,619	(11,314,446)	(506,502)
Net income	4,154,568	—	4,378,294	—	(223,726)
Other Comprehensive income	11,581,906	—	—	11,581,906	—
Balance at December 31, 2012	\$ 84,987,616	\$ 23,423,471	\$ 62,026,913	\$ 267,460	\$ (730,228)



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