



Unitus[®]
COMMUNITY CREDIT UNION



ANNUAL
REPORT
2015

Federally Insured by NCUA

Much of the success Unitus achieved in 2015 can be attributed directly to our mission of being dedicated to the financial well-being of our membership. To further strengthen our cultural identity, our Board of Directors finalized a new vision statement pledging Unitus to deliver legendary service to its membership and communities.

Over the last 79 years, our enduring success has rested on the collective efforts of the talented people who have worked at Unitus. Thus, it is with great honor that the Board of Directors and I express our gratitude to retiring President/CEO Patricia Smith for her inspiring leadership over the last 14 years.

Pat has dedicated her career to the credit union movement, fulfilling its mission of People Helping People at every turn. For decades she has supported the very essence of the movement by focusing on education, research and innovation in addition to product development. Serving nine years as an active Board member of the Filene Research Institute and 3-½ years as its Chair, Pat directed strategic initiatives to explore vital issues affecting consumer finance. While serving on the Shared Branch Board of Directors for Financial Service Centers Cooperative (FSCC), she helped make it easier for credit union members to access a nationwide network of surcharge-free ATMs and shared branches, which is now larger than Bank of America. Continuing her ongoing commitment to the Northwest Credit Union Association (NWCUA), Pat served for a number of years as the Co-Chair for the Oregon Governmental Affairs Committee. She is currently a board member of Currencé, a debit/credit card processing company partly owned by Unitus which aggregates transactions from a number of credit unions to continuously reduce overall processing costs and expand card services to our members.

Pat continues to represent and protect credit unions as an essential part of a healthy local community. Serving as Board Chair of the Oregon Business Association, she now promotes Oregon's long-term economic competitiveness

by providing non-partisan, statewide business leadership. Embodying the member-centric credit union philosophy, she has forged a deeply rooted culture of community service within Unitus. Pat personally devoted six years to the Doernbecher Children's Hospital Foundation as a board member, while also serving on its Finance and Audit Committee, and served seven years and counting on the Credit Unions for Kids program as former Co-Chair and current Advisory Council member. In 2009, Pat created Unitus' signature fundraising event, Wine on the Willamette, which has raised more than \$400,000 to benefit Doernbecher Children's Hospital.

These accomplishments have not gone unnoticed by her community or her peers. Pat was honored in 2010 with the Portland Business Journal's "Top 25 Women in Business" Orchid Award. She was inducted into the national Credit Union Executive Society's (CUES) Hall of Fame in 2015 in recognition of her significant contributions to her profession, the industry and the credit union movement. In October, she became the 2015 recipient of the regional NWCUA Lifetime Achievement Award honoring her impact on the communities she serves. Lastly, Pat received the national Credit Union House Hall of Leaders award for her many years of leadership and service to credit unions.

Pat and her Leadership Team have propelled the Credit Union's growth. She has led her team through expansion, overseeing seven branch openings and more than doubling membership from 40,000 to 90,000 during her tenure. She has led the company through a successful rebranding, increased assets to \$1 billion, and brought together an executive team ready to take Unitus to the next level. Pat's confidence in our team is built from her steady efforts to create and instill our core Shared Values which represent the cohesive heartbeat of Unitus employees today.

I'd like to thank our dedicated employees for generously investing so much of their time in our local communities this past year. Our employees continuously seek opportunities to collaborate and serve within our communities and we are proud of their ongoing accomplishments each year.

To help strong young women become future community leaders, last year we sponsored the mentorship program for the annual Portland Rose Festival. This program connects 15 outstanding young women representing Portland Metro-area high schools with a local female business executive. Nine of our employees served as mentors in 2015, each pairing with a “court princess” to give career advice and share life experiences.

Our team supported Doernbecher Children’s Hospital, a partner in the Credit Unions for Kids initiative that started 30 years ago here at our credit union. Since 1986, Unitus has been at the forefront of raising over \$12 million for Doernbecher in cooperation with other Northwest credit unions. The premier facility for pediatric care in our region, Doernbecher assembles the very best specialists to find cures and improve treatments for devastating illnesses that face our children. Through continuous medical advancements, they bring hope to the families that need it most.

In 2015, Unitus donated over \$225,000 to local charitable organizations. Our employees contributed more than 1,300 volunteer hours to our communities, which included teaching financial literacy to local third graders, assembling and distributing backpacks stuffed with school supplies to every K-8 student at a NE Portland Title 1 school, and bringing Thanksgiving meals to families in a local shelter.

We were excited to increase community support at the state level as well this year. Gayle Evans, our Chief Human Resources Officer, was appointed by the governor to a multi-year commitment as an Advocate for Patient Safety on Oregon’s Task Force for Resolution of Adverse Healthcare Incidents. As a member of the Task Force, Gayle will work to improve patient safety and reduce medical liability costs for fellow Oregonians. She adds this new position to her role as Chair of the Oregon Business Association’s Health Policy Committee as well as her service on the Oregon Patient Safety Commission Board of Directors. The majority of our Leadership Team members volunteer their time to serve on a variety of local community boards as well.

As in past years, our team was humbled to receive recognition from our peers and members in 2015. We were honored as a Top 15 Residential Mortgage Lender, a Top 15 Business in Corporate Philanthropy, and a Top 25 Commercial Lending Institution. We received the 2015 national CUNA Technology Council Excellence

Award in Sales Management/Marketing Automation and were named again as one of Oregon’s Most Admired Companies by the Portland Business Journal. Great work team!

Our Board of Directors has focused their efforts for approximately ten years now to develop strong governance practices at Unitus. As a result, our Board was surprised and honored to receive the first annual Credit Union Commitment to Board Excellence award at the NWCUA’s annual Directors’ Conference in June 2015. The Board established its Board Governance Committee in 2006, created a Director Emeritus program in 2008, established committee performance standards and charters in 2009, created term limits in 2010, and contributed continual process improvements to ensure continuity, transparency, and effective succession planning for the Board.

With utmost appreciation, we would like to acknowledge two esteemed board members who are terming out in 2016, Don Mason and Tom Faulkner. Don has been a Unitus member since 1974 and has served on the Board since 2004, including three years as Board Chair and two years as Vice Chair. Tom Faulkner has been a Unitus member since 1966 and has served on the Board since 2001, including two years as Vice Chair. Both Don and Tom previously served a number of years on our Audit Committee as well. They have been instrumental in guiding the strategic initiatives and advancements in service excellence throughout their time on the Board.

In closing, we would like to thank you, our members, for being the heart and soul of our credit union. Our achievements are the result of the trust you place in us. We are passionately dedicated to providing you with the products and services you need to improve your overall financial wellbeing. In our pledge to provide legendary service, you will always remain at the center of every decision we make.

Susan M Iggulden

Susan Iggulden, Chair





Dedicated to Our Members

At Unitus, we strive each and every day to improve our members' lives and make our communities better. I am inspired and proud that every decision we make is viewed through the "membership lens." Last year brought a new round of member service innovations that we are excited about such as Instant Issue for debit and credit cards, Home Equity Line Plus (allows members to do multiple loans for different purposes all utilizing their home equity), and our new staff Member Advocate role. Together, these new enhancements will make it easier for members to recover a lost or stolen debit or credit card, give members more options to access their home equity, and make the branch experience more personable and more efficient for our members. These changes are directly driven by the needs of our membership.

Fourteen years after joining Unitus (formerly named Oregon Telco Community Credit Union), I look back with great pride in the cumulative success of the teams I have had the pleasure working with and providing guidance to over the years. Today, our Credit Union is financially strong, driven by a talented Board of Directors, supported by a strong Audit Committee, and a talented and caring group of Leadership, management and staff team members.

Financial Success

In 2015, we ended the year with \$979.3 million in assets and \$101.6 million in capital, demonstrating a strong equity position at 10.4%. Unitus is well-capitalized which provides a stable focus during challenging times, and also provides us with flexibility and options when strategies demand growth. In addition, we enjoyed healthy deposit growth as well as membership growth last year. Shares and deposits ended the year at \$856.3 million, an increase of 5.6%, with our core checking shares growing by \$28.2 million or 19.0%. In addition, our overall member relationships grew by 3.4% in 2015.

TOTAL CAPITAL

YEAR	BALANCE	\$ CHANGE	% CHANGE
2011	69,251,000	(1,336,000)	(1.9%)
2012	84,988,000	15,737,000	22.7%
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%

Across the country, credit union loan growth outpaced banks as consumers continued to put their trust in their own local financial cooperatives, seeking fair rates and personal service. Unitus was no exception, posting increases in vehicle loans, business loans, mortgage and home equity loans and credit card balances.

We grew gross loans, across all loan categories, to \$679.3 million, an increase of nearly \$68 million or 11.1%. Vehicle loans increased to \$302.7 million, representing a 6.1% increase. Our business loans and participation loans purchased posted another year of increases with 12.7% annual growth rising to \$60.9 million. First mortgage and home equity loans increased to \$239.4 million, representing an 18.2% increase. Credit card balances increased to \$39.9 million, representing a 4.2% increase. We processed 42,212 loan applications for our members and funded \$546 million, an increase of \$116 million, sustaining exceptional loan quality.

TOTAL LOANS ORIGINATED

YEAR	DOLLARS ORIGINATED	\$ CHANGE	% CHANGE
2011	311,639,000	(21,335,000)	(6.4%)
2012	409,947,000	98,308,000	31.5%
2013	418,058,000	8,111,000	2.0%
2014	430,856,000	12,798,000	3.1%
2015	546,364,000	115,508,000	26.8%

Members also chose Unitus first in 16 million card transactions, a 7% increase in utilization from 2014, in large part due to the growing strength of our Platinum Rewards Visa card which carries minimal fees and earns members one point for every dollar spent. We are excited that the introduction of the anticipated EMV security technology later this year will further strengthen this product as well as our other Visa cards.

Member Service Leads to Product Development

Keeping our strategies member-centric, we looked for ways to save our members money and make it easier to do business

with us. In 2015, we were proud to introduce the Member Advocate position in our branches, a highly trained associate who can guide a member through nearly all traditional account transactions across multiple product lines without having to transfer service to another associate. In the short term, this will provide members a more efficient and effective branch experience every day. Over the long term, this will help us develop even deeper lifelong relationships with our members and their families.

MEMBERSHIP GROWTH

YEAR	TOTAL MEMBERS	NEW MEMBERS	% GROWTH
2011	77,052	5,477	7.7%
2012	80,165	3,113	4.0%
2013	83,462	3,297	4.1%
2014	86,817	3,355	4.0%
2015	89,772	2,955	3.4%

We were also excited to launch Instant Issue for debit and credit cards in 2015, providing members immediate access to Visa debit or credit cards. Members who sign up for a new Visa like our Platinum Rewards can now use their card instantly rather than waiting for it to come in the mail. Members with lost, stolen or damaged cards can now get a replacement the same day. In just three months after the launch, we issued 3,013 instant cards for members.

CHECKING GROWTH (Share drafts)

YEAR	CHECKING BALANCES	\$ CHANGE	% GROWTH
2011	100,568,000	19,113,000	23.5%
2012	122,396,000	21,828,000	21.7%
2013	137,649,000	15,253,000	12.5%
2014	148,377,000	10,728,000	7.8%
2015	176,558,000	28,181,000	19.0%

We developed the Equity Line Plus loan to give members more flexibility to turn their equity into usable cash. This line of credit allows members to tailor their loan as their needs change without additional applications or trips to the branch. In 2015 we issued 391 Equity Line Plus loans for nearly \$19 million, giving members access to needed cash on their terms.

The Way Forward

Looking ahead, we are planning to open a new branch in 2016 to increase convenience for existing members and help serve new members throughout our communities. This year we are also going to redesign our mobile and web presence, upgrading to a responsive design and improving our on-the-go financial management tools to better serve our members wherever they are. Working together, our Board and Leadership Team have also created a strong vision for serving the future needs of our membership.

TECHNOLOGY GROWTH

YEAR	MOBILE BANKING	eSTATEMENTS	BILL PAY
2012	25%	36%	21%
2013	38%	45%	28%
2014	41%	49%	35%
2015	57%	52%	40%

Closing Thoughts

Looking back at the past 14 years spent together, I am most proud of the culture, service experience, and team work environment that we have instilled at Unitus for the benefit of our membership. Today, this environment supports the foundation that we maintain in serving the members and in working so well with each other. With our talented team well “seated” and engaged in the future vision and Unitus performing at a high level in our competitive marketplace, it is a perfect time for a new leader to join our team. I believe the next ten years will bring unprecedented change and growth to Unitus with a focus on better understanding our members’ needs by utilizing business/member intelligence, a solid digital/

social media strategy, and a strong focus on providing our products and services to more consumers in the communities we serve.

Through the years, I have been very fortunate to build a career in an industry that allowed me to align my personal values and beliefs with the values of my employer. I have been lucky to work with employees who have given so much of themselves to build a culture of learning, teamwork and support and who eagerly give back to the communities we serve. Employees and teammates are enthusiastic about helping each other out, developing each other’s strengths and solving big problems together to provide assistance to our members. I have learned so much from these friends, peers, mentors, teams and staff members who have all taken part in creating the next new frontier for credit unions. As I look forward to retirement this year, these are the moments I will miss the most.

My sincere thanks to our members whom I have had the pleasure of meeting and serving during this time. And to our Board of Directors, Audit Committee members, Leadership Team, management and team members, thank you for the memories I will take with me of our time together. Cheers!

Patricia E. Smith

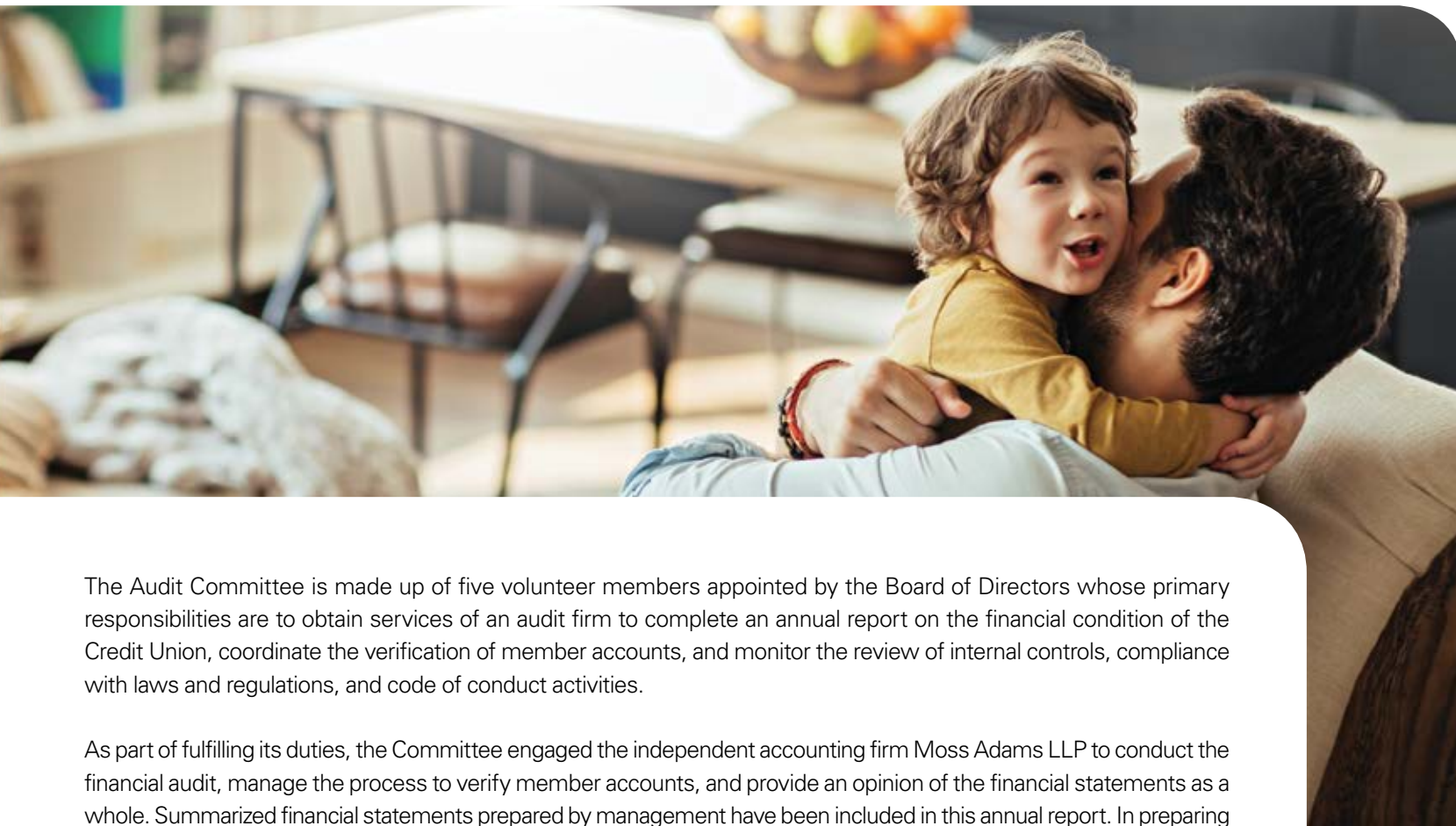
Patricia E. Smith, CEO/Treasurer



Board of Directors

Susan Iggulden, Chair
 Jim Lewis, Vice Chair
 Gordon Akeson, Secretary

Tom Faulkner, Director
 Don Mason, Director
 Scott Thompson, Director
 Luke Watson, Director



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 2015.

Audit Committee

Somnath Banerjee, Chairman

Frank Chinn, Committee Member

Rhonda Cramer, Committee Member

Tiffini Mueller, Committee Member

Luke Watson, Committee Member



Somnath Banerjee, Chairman



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, 2015 and 2014. We expressed an unmodified audit opinion on those financial statements in our report dated March 3, 2016.

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, 2015 and 2014 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 3, 2016

STATEMENTS OF FINANCIAL CONDITION

	December 31,	
	2015	2014
Assets		
Cash and cash equivalents	\$ 69,091,000	\$ 73,231,000
Investment securities available-for-sale, at fair value	212,266,000	222,431,000
Restricted equity securities	1,114,000	3,142,000
Loans receivable, net	673,143,000	606,070,000
Accrued interest receivable	2,785,000	2,760,000
National Credit Union Share Insurance Fund deposit	8,098,000	7,880,000
Property and equipment, net	7,174,000	7,709,000
Other assets	5,676,000	5,125,000
Total assets	\$ 979,347,000	\$ 928,348,000
Liabilities		
Members' share and savings accounts	\$ 856,322,000	\$ 811,089,000
Borrowed funds	8,000,000	15,000,000
Accrued expenses and other liabilities	13,413,000	9,425,000
Total liabilities	877,735,000	835,514,000
Members' Equity		
Regular reserves	23,423,000	23,423,000
Undivided earnings	75,165,000	66,045,000
Accumulated comprehensive income	3,024,000	3,366,000
Total members' equity	101,612,000	92,834,000
Total liabilities and members' equity	\$ 979,347,000	\$ 928,348,000

STATEMENTS OF INCOME

	Years Ended December 31,	
	2015	2014
Interest Income		
Loans receivable	\$ 24,210,000	\$ 24,263,000
Investment securities and cash equivalents	4,560,000	4,396,000
Total interest income	28,770,000	28,659,000
Interest Expense		
Dividends on members' share accounts	2,284,000	3,190,000
Borrowed funds	458,000	538,000
Total interest expense	2,742,000	3,728,000
Net Interest Income	26,028,000	24,931,000
Provision for loan losses	2,327,000	2,741,000
Net interest income after provision for loan losses	23,701,000	22,190,000
Non-Interest Income		
Service charges and fees	13,214,000	12,916,000
Mortgage banking and loan servicing income	5,336,000	3,034,000
Loss on investment securities		
Loss on sale of investment securities, trading	—	(18,000)
Loss on sale of investment securities, available-for-sale	(80,000)	(15,000)
Other-than-temporary impairment losses	(35,000)	(286,000)
Total loss on investment securities, net	(115,000)	(319,000)
Other non-interest income	160,000	110,000
Total non-interest income	18,595,000	15,741,000
Non-Interest Expense		
Compensation and benefits	18,542,000	17,721,000
General and administrative	14,634,000	14,805,000
Total non-interest expense	33,176,000	32,526,000
Net income	\$ 9,120,000	\$ 5,405,000

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,	
	2015	2014
Net Income	\$ 9,120,000	\$ 5,405,000
Other Comprehensive (Loss) Income		
Unrealized (losses) gains on securities available-for-sale	(457,000)	5,215,000
Reclassification adjustment for realized losses included in loss on investment securities	80,000	15,000
Reclassification adjustment for other-than-temporary impairment realized in loss on investment securities	35,000	285,000
Total other comprehensive (loss) income	(342,000)	5,515,000
Comprehensive Income	\$ 8,778,000	\$ 10,920,000

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

	Total Members' Equity	Regular Reserves	Undivided Earnings	Accumulated Comprehensive Income (Loss)
Balance at December 31, 2013	\$ 81,914,000	\$ 23,423,000	\$ 60,640,000	\$ (2,149,000)
Net income	5,405,000	—	5,405,000	—
Other comprehensive income	5,515,000	—	—	5,515,000
Balance at December 31, 2014	92,834,000	23,423,000	66,045,000	3,366,000
Net income	9,120,000	—	9,120,000	—
Other comprehensive loss	(342,000)	—	—	(342,000)
Balance at December 31, 2015	\$ 101,612,000	\$ 23,423,000	\$ 75,165,000	\$ 3,024,000



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Credit Union**

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