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2004 ANNUAL REPORT



Chairman's Report

Board of Directors



Gordon Akeson
Chairman

Terry Gavin
Vice Chairman

Barbara Leonard
2nd Vice Chairman

Don Mason
Secretary

Stacy Augustine
Director

Tom Faulkner
Director

Vernon Reinecker
Director

Will Rader
Alternate Director

On behalf of the Board of Directors, allow me to express our thanks to the members who contribute to and support the Credit Union's success through the use of its products and services. The Credit Union continues to grow and continues to enhance services for all members, thanks to you!

This past year brought several changes to the Credit Union. The most prominent was our name change, from Oregon Telco, which served us well for many years, to Unitus Community Credit Union. The new name was pursued after receiving feedback from focus groups of members, potential members, and members of the community, that indicated consumers were confused regarding who could join our Credit Union. Unitus (as in "Unite + Us") creates a unique brand image for the Credit Union and will serve us well in the future.

The second most prominent change was the opening of our Salem branch on November 22, 2004. Members in the Salem area now have a branch closer to home and appreciate the convenience. On December 9, 2004 we broke ground for a new facility in Clackamas and anticipate opening a new branch in Beaverton by the end of 2005.

During this past year, our loans grew by 20% and membership by 10%. We outperformed our business plan goals for building capital, reducing delinquencies and charge offs on loans, and increasing net income. Our expense-to-income ratio remained relatively flat throughout the year.

Enhancements to member services during 2004 included:

- Online processing of consumer loans in only 60 seconds
- Online processing of first mortgage loans in only 20 minutes
- Loan rates tailored to the individual, making Unitus financing the best choice for more members, regardless of their credit history
- A new Money Market account that pays more than savings but doesn't require a restricted term date as with Certificate of Deposit accounts
- A new low cost alternative to payday loans called an "Advance Loan"
- Several new types of adjustable rate mortgage loans

- A wide range of investment opportunities, as well as access to an online brokerage and expert financial assistance, through MEMBERS Financial Services.

Throughout the year, Unitus and its employees participated in or sponsored several community events. The following organizations benefited from our efforts: Make-A-Wish Foundation, Easter Seals, Multnomah Education Service District (MESD), Doernbecher Children's Hospital, Providence Child Center Foundation, SnowCap (east Multnomah County), Helping Hands (Salem), and the Salvation Army. In addition to our community service work, Unitus also awarded six \$1,000 scholarships to members pursuing higher education.

In closing, I'd like to thank the Board members and our Supervisory Committee members who each serve as volunteers for the membership. Their unwavering dedication and guidance provides the foundation of governance for the Credit Union. In addition, I'd also like to recognize the management and staff for their continued dedication to finding new ways to serve the needs of our membership.



Anyone who lives or works in Multnomah, Washington, Clackamas, Marion, Polk, or Yamhill County is eligible to join Unitus



Financial Statements

Unitus Community Credit Union

Consolidated Balance Sheets

	Years Ended December 31,	
	2004	2003
ASSETS		
Cash and Cash Equivalents	\$ 26,484,813	\$ 24,269,078
Investments	146,592,501	201,375,151
Loans, Net	427,448,157	354,626,685
Accrued Interest Receivable	2,189,271	2,506,303
Office Property and Equipment, Net	7,069,722	5,129,341
NCUSIF Deposit	4,287,494	4,359,428
Federal Home Loan Bank Stock	2,735,100	2,110,100
Other Assets	452,902	621,740
Total Assets	\$617,259,960	\$594,997,826
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Members' Share Accounts	\$542,167,048	\$522,240,343
Accounts Payable and Other Liabilities	12,307,098	11,591,329
Total Liabilities	554,474,146	533,831,672
Members' Equity:		
Regular Reserves	17,489,434	14,468,391
Undivided Earnings	46,048,678	45,089,825
Accumulated Other Comprehensive Income	(752,298)	1,607,938
Total Members' Equity	62,785,814	61,166,154
Total Liabilities and Members' Equity	\$617,259,960	\$594,997,826

Consolidated Statements of Income

	Years Ended December 31,	
	2004	2003
Interest Income:		
Interest and Fees on Loans	\$ 21,022,410	\$ 21,134,126
Interest on Investments	5,961,408	8,299,540
	<u>26,983,818</u>	<u>29,433,666</u>
Interest Expense:		
Dividends and Interest on Members' Share Accounts	10,161,976	11,837,554
Net Interest Income	16,821,842	17,596,112
Provision for Loan Losses	1,764,154	4,852,500
Net Interest Income After Provision for Loan Losses	15,057,688	12,743,612
Non-Interest Income	3,175,795	2,861,124
Non-Interest Expense		
Compensation and Benefits	7,058,747	6,957,968
General and Administrative	7,194,840	7,520,123
	<u>14,253,587</u>	<u>14,478,091</u>
Net Income	\$ 3,979,896	\$ 1,126,645

Consolidated Statements of Members' Equity

	Members' Equity
Balance at December 31, 2002	\$ 62,199,930
Net Income for 2003	1,126,645
Accumulated Other Comprehensive Income:	
Unrealized Gains (Losses) on Securities Available for Sale	(2,160,421)
Balance at December 31, 2003	61,166,154
Net Income for 2004	3,979,896
Accumulated Other Comprehensive Income:	
Unrealized Gains (Losses) on Securities Available for Sale	(2,360,236)
Balance at December 31, 2004	\$ 62,785,814

Supervisory Committee's Report

The summarized financial statement information included in this annual report was prepared by Unitus Community Credit Union management and compiled from the Credit Union's consolidated financial statements.

In preparing the financial statements, management depends upon the Credit Union's system of internal accounting controls in meeting its responsibility for reliable information. The Supervisory Committee, which consists of five volunteer members appointed by the Board of Directors, monitors the accounting system on behalf of all Unitus members.

The Committee meets periodically with the Board of Directors, the Chief Internal Auditor, and management to discuss accounting, financial reporting, internal control systems and processes, and auditing matters.

As part of fulfilling its duties, the Committee engaged the independent accounting firm KPMG to conduct the 2004 audit of the Credit Union and provide an opinion of the financial statements as a whole. A copy of the certified audit report is available for review by interested members upon request.

The audit substantiated the solid financial performance of the Credit Union and affirmed the operational practices of management. It also offers definitive evidence that the membership's assets are secure. It is the Committee's opinion that the Credit Union's day-by-day practices remain in compliance with the Credit Union bylaws, state and federal regulations, and acceptable accounting procedures.

Also under the direction of the Committee KPMG managed the 2004 verification of members' accounts. The outcome of this audit further substantiates the responsible financial operation of the Credit Union.

My thanks is extended to Committee members for their time and energy given during the past year. We look forward to serving the Unitus membership in 2005.

Supervisory Committee



Don Foreman
Chairman

Tom Bushman

Rhonda Cramer

Dan Duffy

Tim J. Williams



President's Report



Patricia E. Smith
President/CEO

Welcome to Unitus Community Credit Union! Our new name embraces all members, no matter where they work or live, and furthers our commitment to every member's financial well being.

During 2004, we welcomed 4,378 new members, bringing total membership at year-end to 48,512 members strong. Most members will turn to Unitus for financial services for many years to come, and we have begun recognizing long-time members—those who have been with us for 20 years or more—as Heritage members.

Thanks to the support of all members, Unitus grew to over \$617 million in total assets at the end of 2004. In that same period, loans grew by over 20% to total more than \$432 million. In 2004 alone, Unitus loaned more than \$134 million—nearly double the previous year—to help over 7,000 members buy a new or used vehicle.

Home loans also contributed to loan growth, with over \$43.6 million in new loans going to members to purchase or refinance their homes. Home equity loans accounted for nearly \$27 million more, followed by our Visa credit card program at over \$10.5 million. Our popular Visa rebate program resulted in cardholders receiving a rebate of more than \$318,000 in 2004!

We want every member to have access to the lowest rates we offer, so we're doing a number of things to help members review and improve their credit score, including sponsoring free financial seminars and offering one-on-one consultations. We also expanded our loan program to include a more comprehensive review of a member's credit standing. This allows us to price each loan more appropriately for risk and results in granting more loans to our members.

On the other side of the balance sheet, members' deposits also grew in 2004, reaching more than \$542 million. During the year Unitus paid more than \$12 million in dividends to members. We also added to the investment choices available to members through our new association with MEMBERS Financial Services, which offers an online brokerage, annuity services, and assistance with financial planning.

Operationally, our expense ratio remained fairly steady through 2004 and finished the year within plan goals. At the same time, our capital reserves increased

to 10.29% of total assets. This is a very strong capital position and a good indicator of your Credit Union's fiscal health.

Unitus is a not-for-profit financial cooperative owned entirely by its members, so after expenses are paid and required reserves are set aside, all earnings are returned to members in the form of higher dividends, lower loan rates, and free or low cost services. During 2004, we added several new services and enhanced others, as noted by Chairman Gordon Akeson in his report.

Under the strategic direction and guidance of your Board of Directors, Unitus management and staff are committed to meeting the financial needs of members and to making a positive difference in their lives, as well as in the communities we serve. We appreciate the opportunity to serve our members and look forward to doing so through 2005 and beyond.



Key Indicators

