



2016 ANNUAL
REPORT

75
YEARS

PEOPLE FIRST SINCE 1942



PACIFIC NW
FEDERAL CREDIT UNION

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REPORT FROM THE PRESIDENT & CHAIRMAN

2016 was another good year for Pacific NW Federal Credit Union. Good in terms of developing our member service capabilities and good in terms of financial performance.

- We finished the remodels of the Erin Way and BPA/911 branches.
- We implemented EMV (smart chip) technology in our debit/credit cards to improve fraud protections.
- We consolidated our back office operations into our Erin Way branch and began the process of selling our empty Marx Street operations building.

We continue to strengthen the quality of our loan portfolio and improve the quality of our overall balance sheet.

- Added 1,356 new members — a 20% increase over last year new member growth, with membership increasing to 16,370.
- Made 1,830 consumer loans for \$25.1 million.
- Helped 189 members buy or refinance their homes for \$42.4 million.
- Increased total assets from \$149.6 to \$165.4 million.
- Increased total loans (held and serviced) by \$18.5 million to \$224.9 million.

“We continue to strengthen the quality of our loan portfolio and improve the quality of our overall balance sheet.”

During 2017 our focus will be to continue to increase the convenience and quality of member service.

- Brought back dividends for savings accounts in January; not a lot (0.05%), but it's a start.
- Brought back dividends for interest checking in April (0.05%).
- Remodeling Hood River Branch.
- Remodeling Ross Branch.
- Making peer-to-peer payment transfers available to members.

Throughout all of this, our main goal is to be your financial partner for life.





Thomas E. Griffith, CMA | Chief Executive Officer

Tom has been in the credit union industry for over 20 years. He holds a Bachelor's in Accounting from Portland State University and is a Certified Management Accountant (CMA). After spending five years as an accountant for a market research firm, he became Controller of a small credit union. He spent eleven years as the Chief Financial Officer for a \$600 million credit union before joining Pacific NW Federal Credit Union in 2003 as the CEO.



Paresh Patel, PhD, MBA | Chairman of the Board

Paresh is a lifelong entrepreneur who has founded several companies in the Portland area, most recently PayRange, a mobile payment solution. He brings a balanced business perspective to the PNWFCU Board of Directors. As Chairman of the Board for over a decade, he has worked to help ensure our credit union's stability, while at the same time ensuring we meet our members' needs now and into the future.



FINANCIAL CONDITION

Year ended December 31

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash & cash equivalents	\$ 13,122,688	\$ 20,107,998
Certificates of deposit	19,814,000	18,063,000
Investment securities held to maturity	28,279,319	16,461,368
Restricted equity securities	267,904	259,651
Loans to members, net	96,007,860	87,624,371
Accrued interest receivable	402,679	323,101
Property & equipment held-for-sale	970,205	-
Property & equipment, net	2,814,691	3,810,267
National Credit Union Share		
Insurance Fund (NCUSIF) deposit	1,366,699	1,257,754
Other real estate owned	436,025	-
Other assets	<u>1,885,006</u>	<u>1,666,620</u>
TOTAL ASSETS	<u>\$ 165,367,076</u>	<u>\$ 149,574,130</u>
LIABILITIES		
Members' shares	\$ 150,874,231	\$ 136,677,204
Accrued expenses & other liabilities	<u>909,866</u>	<u>723,882</u>
Total liabilities	<u>151,784,097</u>	<u>137,401,086</u>
MEMBERS' EQUITY		
Regular reserves	4,033,040	4,033,040
Undivided earnings	<u>9,549,939</u>	<u>8,140,004</u>
Total members' equity	<u>13,582,979</u>	<u>12,173,044</u>
TOTAL LIABILITIES & EQUITY	<u>\$ 165,367,076</u>	<u>\$ 149,574,130</u>

INCOME & EXPENSE

Year ended December 31

	2016	2015
INTEREST INCOME		
Interest on loans to members	\$ 4,295,129	\$ 4,234,456
Interest on investments	558,368	409,114
Total interest income	<u>4,853,497</u>	<u>4,643,570</u>
INTEREST EXPENSE		
Dividends on members' shares	63,675	57,671
Interest on borrowed funds	73	-
Total interest expense	<u>63,748</u>	<u>57,671</u>
NET INTEREST INCOME	4,789,749	4,585,899
(RECAPTURE OF) PROVISION FOR LOAN LOSSES	<u>(33,353)</u>	<u>78,389</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	4,823,102	4,507,510
NONINTEREST INCOME		
Service fees & other income	1,896,648	1,733,108
Mortgage banking income	1,116,083	717,874
Total noninterest income	<u>3,012,731</u>	<u>2,450,982</u>
NONINTEREST EXPENSE		
Salaries & benefits	3,075,618	3,017,469
Operations	3,034,471	2,639,392
Occupancy	315,809	364,352
Total noninterest expense	<u>6,425,898</u>	<u>6,021,213</u>
NET INCOME	<u><u>\$ 1,409,935</u></u>	<u><u>\$ 937,279</u></u>

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee consists of four Members. The Committee has oversight responsibility for monitoring the Credit Union's business affairs. We meet bi-monthly with Credit Union Team Members, and attend various board, management, and strategic planning meetings. Our objective is to safeguard members' assets, and ensure statements of the Credit Union's financial condition are fairly and accurately presented.

An independent accounting firm, Moss Adams LLP, engaged by the Credit Union's Supervisory Committee performed this year's audit. The unmodified audit opinion of the Credit Union's financial statements covers the period January 1, 2016, through December 31, 2016. In performing an opinion audit, the accounting firm considers the Credit Union's internal controls over financial reporting as a basis for designing their audit procedures. Audit procedures include examining and testing supporting evidence for the

amounts and disclosures presented in the Credit Union's financial statements. Ultimate responsibility for the accuracy of the financial statements is held with the Credit Union's Management. Pacific NW Federal Credit Union assets as of the end of 2016 were \$165.4 million. This is an increase of \$15.8 million over 2015.

The opinion audit allows us to better assess the risks and soundness of the Credit Union operations. It is complemented by other audits. Your Supervisory Committee ordered audits, as required by NCUA regulations, on compliance with the: Bank Secrecy Act (BSA), Office of Foreign Assets Control (OFAC), and the USA Patriot Act.

The management team and the Board of Directors continually evaluate the financial condition and monitor the state of your Credit Union. As of December 31, 2016, your Credit Union's net worth grew to 8.21% from 8.14% as of December 31, 2015. This is considered "well capitalized"

“Pacific NW Federal Credit Union assets as of the end of 2016 were \$165.4 million. This is an increase of \$15.8 million over 2015.”

by NCUA standards. You, the member, contributed to this restoration of net worth by your loyalty to the Credit Union. The delinquency ratio improved. It fell to 0.39% in December 2016 from 0.63% in December 2015. The Credit Union ended 2016 with a net income of \$1,409,935.

Moss Adams LLP expressed an audit opinion that: 1) your Credit Union’s financial statements present fairly, in all material aspects, the financial position of the Pacific NW Federal Credit Union as of December 31, 2016, and 2) the results of its operations and cash flows for the twelve months then ended, are in conformity with generally accepted

accounting principles. A copy of their audit report is available to members upon request.

I’d like to express my appreciation to fellow Committee Members: Robert Mealey, Travis Richardson (Secretary), and Harry Speropulos (also Director Board Member) for their time and commitment throughout the year. On behalf of the Committee, I’d also like to commend the Board of Directors, Management, and the entire Pacific NW Federal Credit Union Team for continuing to provide extraordinary value to you, our Members. Additionally, I’d like to thank you for your loyalty and support in our pursuit as your preferred financial partner for life!



Henry T. Tieu
Supervisory Committee Chairman



COMMUNITY OUTREACH

COLUMBIA RIVER GORGE

- Delta Kappa Scholarship
- Hood River 4-H Club
- Hood River County Sheriff
- Hood River Elementary School Auction
- Hood River Farmers' Market
- Hood River Rotary Club
- Relay for Life

PARKROSE COMMUNITY

- Future Business Leaders of America
- Parkrose Educational Foundation
- Parkrose Farmers' Market
- Parkrose Neighborhood Cleanup
- PBA (Parkrose Business Association)
- PBA Scholarship Committee
- PHS (Parkrose High School) Grad Party
- PHS Senior Project

PORTLAND/VANCOUVER

- American Cancer Society
- Associates Foundation
- Doernbecher Children's Hospital
- Kiwanis Children's Cancer Program
- Klineline Kids Fishing Nonprofit
- Leach Botanical Garden
- Lions Club
- Oregon Humane Society Doggie Dash
- Shepherd's Door
- Trauma Intervention Program
- World Forestry Center

SCHOLARSHIPS

Each year, we give two \$1,000 scholarships to deserving students. Congratulations once again to our 2016 scholarship winners, Chetan Dindukurthi and Jada Krening.



Scholarship winner, Chetan Dindukurthi



Scholarship winner, Jada Krening



DOGGIE DASH & NATURE FAIR

2016 was our first year sponsoring both the Oregon Humane Society Doggie Dash and the Leach Botanical Garden Children's Nature Fair. Our team had a great time getting out in the community and seeing all the happy faces, furry and non-furry alike.

We handed out doggie treats and PNWFCU pet bandanas at the Doggie Dash. The treats elicited plenty of wagging tails.

At the Children's Nature Fair, we ran the 25-cent ice cream booth, where young and old lined up for ice cream scooped by our team.

Photos clockwise from top left: Doggie Dash attendee drools with excitement; PNWFCU team members Judy Kennedy, Dana Eaton and Tom Griffith scoop ice cream; youngsters purchase ice cream at the fair; PNWFCU Lead MSR Nicole Tolva distributes doggie treats.

CELEBRATING 75 YEARS IN THE PACIFIC NORTHWEST

FD-15 (Rev. 10-1-65)

ORGANIZATION CERTIFICATE

FD-15 (Rev. 10-1-65)

To the Governor of the Farm Credit Administration

We, the undersigned, with the common bond of interest hereby, do hereby apply for permission to operate a Federal credit union for the purpose and in accordance with the provisions of Public Law 726, Chapter 10, Act of August 1, 1952, to establish a Federal credit union, to establish a further market for agricultural products and to make more available to people credit for provident purposes through a national credit system, thereby helping to stabilize the economy of the United States; we agree to comply with the terms of said Act, with the terms of this organization with all laws, rules and regulations applicable to Federal credit unions; and we hereby certify that:

(1) The name of this Federal Credit Union is

FD-15 (Rev. 10-1-65)

(2) This credit union will maintain its office at

Portland, Oregon and Vancouver, Washington

and will operate in the following territory:

Portland, Oregon and Vancouver, Washington

(3) The names and addresses of the subscribers to this certificate and the number of shares subscribed follow:

(To be typed or printed)

Full Name	Home Address
George S. Smith	Portland, Oregon
W. E. Zimmerman	Portland, Oregon
Harriet S. Swaney	Vancouver, Washington
Walter S. Johnson	Vancouver, Washington
C. Lloyd Adams	Portland, Oregon
J. W. Thompson	Portland, Oregon
C. F. Richards	Vancouver, Washington
James D. Hall	Portland, Oregon
Allen W. Anderson	Portland, Oregon
M. Brown	Vancouver, Washington
Walter F. Smoler	Portland, Oregon
V. S. Taylor	Portland, Oregon

(4) The par value of the shares of this credit union is

\$5.00. The field of membership will be limited to the following common bond of association, membership: employees of the Bonneville Power Administration of (hereinafter) with headquarters in Portland, Oregon and the employees of this credit union; members of their immediate organizations of each person.

(5) The term of this credit union's existence shall be as provided, however, that the Governor of the Farm Credit Administration may suspend or revoke this organization's charter, upon his finding, that this credit union in violation of the Act or has violated any provision of this organization certificate, of the bylaws, of the Federal Credit Union Act including any amendments thereto or thereof, or of any regulation issued thereunder.

(7) This certificate is made to enable the undersigned to avail themselves of the advantages of said Act.

(8) The management of this credit union shall be the responsibility of its officers, directors, committees, and staff.

Take a Look Back...

1942: Our charter is signed and BPA Federal Credit Union is born, headquartered at the BPA complex in Vancouver. BPAFCU was created to serve employees who needed to borrow funds while traveling for business.

1977: We change our name to Pacific NW Federal Credit Union and make history as the first financial institution in Oregon to offer debit cards.

1989: Moving out of our modest basement office in BPA to our current branch in the 911 building, we keep on growing.

1996: Reaching \$50M in assets, we are the first financial institution in the Northwest to offer online banking.

2002: We open our Erin Way location and now have four branches: BPA, Ross, Hood River and Erin Way.

2015: We launch our new logo, website and Cash Awards Visa, giving members 1% cash back.

2017: Now 75 years old, we have \$165M in assets and over 16,600 members, and we are still *Your Financial Partner for Life*.



OTHER HAPPENINGS

We completed our BPA/911 branch remodel project in 2016 (pictured right). This branch now has a comfortable, stylish waiting area with a new sign and fresh carpet. Our Erin Way branch also got new carpet and signs. Our administrative team moved from the old Marx building into Erin Way, with new offices set up on the first and second floors. And we didn't forget about Hood River and Ross. These two branches are next up for remodeling. Look for updates in 2017.



On the member service side of things, we launched several new features. We switched over to chip cards to help protect our members from fraud. We also upped our mobile game

with new text alerts, quick balance, CardValet card tracking and mobile app updates. Visit pnwfcu.org or download our app to learn more.

10th ANNUAL PHOTO CONTEST

PNWFCU members submitted 84 photos for our 10th Annual Photo Contest. Some of the photos were featured in our 2017 calendar, which we sold in branches to raise over \$1,100 for Doernbecher Children's Hospital. We also donated \$200 to the World Forestry Center on behalf of the photo entries. Check out our top three contest winners below.



Clockwise from above: Rustful Slumber by Dr. Anson Service (1st Place); Frozen Homestead by Scott McClellan (2nd Place); Springtime in Palouse, WA by Dana Murray (3rd Place)

THANK YOU

Congratulations to our employees who celebrated milestones in 2016. We thank you for your hard work and dedication to PNWFCU over the past 5, 10 and 20 years.

5

Chrissy Benson
Mattye Katter
Cassie LaPlaunt
Tonya McCormack

Call Center Representative
Call Center Representative
Assistant Branch Manager
Consumer Loan Manager

10

Amanda Alvarez
Dave Thompson

Member Relationship Officer
VP HR & Risk Management

20

Nikki Barger

Loan Closing Specialist



PRIZE SPONSORS

- Auto Mentors
- CEO Promotions
- CUDL
- Digital Insight
- Lipsky Research
- Meadow Outdoor
- Michael Caro, Attorney
- Moss Adams LLP
- Paulson Printing

OUR PEOPLE

BOARD OF DIRECTORS

Paresh Patel	Chairman
Nancy Morgan	Vice Chair
Phil Livesley	Treasurer
Ron Miller	Secretary
David Lacka	Director
Linda McKinney	Director
Larry Long	Director
Harry Speropulos	Director
Spencer Wedlund	Director

SUPERVISORY COMMITTEE

Henry Tieu	Chairman
Robert Mealey	Member
Harry Speropulos	Member

SENIOR MANAGEMENT

Tom Griffith	President/CEO
Laureen Boda	SVP CFO
Diane Calvin	SVP CLO
Dana Eaton	VP Marketing & Member Service
Dave Thompson	VP Human Resources & Risk Management
Eric Keyser	VP Information Technology

ERIN WAY BRANCH

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Portland, OR 97220
503.256.5858

911/BPA BRANCH

911 NE 11th Ave.
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503.256.5858

ROSS BRANCH

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Vancouver, WA 98666
360.693.7368

HOOD RIVER BRANCH

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Hood River, OR 97031
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