2016 ANNUAL REPORT

75 YEARS

PEOPLE FIRST SINCE 1942

PACIFIC NW FEDERAL CREDIT UNION
Cover Photo: Mount McLoughlin in Jackson County, Oregon
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.
### Year ended December 31

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; cash equivalents</td>
<td>$13,122,688</td>
<td>$20,107,998</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>19,814,000</td>
<td>18,063,000</td>
</tr>
<tr>
<td>Investment securities held to maturity</td>
<td>28,279,319</td>
<td>16,461,368</td>
</tr>
<tr>
<td>Restricted equity securities</td>
<td>267,904</td>
<td>259,651</td>
</tr>
<tr>
<td>Loans to members, net</td>
<td>96,007,860</td>
<td>87,624,371</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>402,679</td>
<td>323,101</td>
</tr>
<tr>
<td>Property &amp; equipment held-for-sale</td>
<td>970,205</td>
<td>-</td>
</tr>
<tr>
<td>Property &amp; equipment, net</td>
<td>2,814,691</td>
<td>3,810,267</td>
</tr>
<tr>
<td>National Credit Union Share Insurance Fund (NCUSIF) deposit</td>
<td>1,366,699</td>
<td>1,257,754</td>
</tr>
<tr>
<td>Other real estate owned</td>
<td>436,025</td>
<td>-</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,885,006</td>
<td>1,666,620</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$ 165,367,076</strong></td>
<td><strong>$ 149,574,130</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members’ shares</td>
<td>$150,874,231</td>
<td>$136,677,204</td>
</tr>
<tr>
<td>Accrued expenses &amp; other liabilities</td>
<td>909,866</td>
<td>723,882</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>151,784,097</strong></td>
<td><strong>137,401,086</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MEMBERS’ EQUITY</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular reserves</td>
<td>4,033,040</td>
<td>4,033,040</td>
</tr>
<tr>
<td>Undivided earnings</td>
<td>9,549,939</td>
<td>8,140,004</td>
</tr>
<tr>
<td><strong>Total members’ equity</strong></td>
<td><strong>13,582,979</strong></td>
<td><strong>12,173,044</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TOTAL LIABILITIES &amp; EQUITY</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$ 165,367,076</strong></td>
<td><strong>$ 149,574,130</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>------------</td>
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</tr>
<tr>
<td><strong>INTEREST INCOME</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on loans to members</td>
<td>$ 4,295,129</td>
<td>$ 4,234,456</td>
</tr>
<tr>
<td>Interest on investments</td>
<td>558,368</td>
<td>409,114</td>
</tr>
<tr>
<td>Total interest income</td>
<td>4,853,497</td>
<td>4,643,570</td>
</tr>
<tr>
<td><strong>INTEREST EXPENSE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends on members’ shares</td>
<td>63,675</td>
<td>57,671</td>
</tr>
<tr>
<td>Interest on borrowed funds</td>
<td>73</td>
<td>-</td>
</tr>
<tr>
<td>Total interest expense</td>
<td>63,748</td>
<td>57,671</td>
</tr>
<tr>
<td><strong>NET INTEREST INCOME</strong></td>
<td>4,789,749</td>
<td>4,585,899</td>
</tr>
<tr>
<td><strong>(RECAPTURE OF) PROVISION FOR LOAN LOSSES</strong></td>
<td>(33,353)</td>
<td>78,389</td>
</tr>
<tr>
<td><strong>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</strong></td>
<td>4,823,102</td>
<td>4,507,510</td>
</tr>
<tr>
<td><strong>NONINTEREST INCOME</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service fees &amp; other income</td>
<td>1,896,648</td>
<td>1,733,108</td>
</tr>
<tr>
<td>Mortgage banking income</td>
<td>1,116,083</td>
<td>717,874</td>
</tr>
<tr>
<td>Total noninterest income</td>
<td>3,012,731</td>
<td>2,450,982</td>
</tr>
<tr>
<td><strong>NONINTEREST EXPENSE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries &amp; benefits</td>
<td>3,075,618</td>
<td>3,017,469</td>
</tr>
<tr>
<td>Operations</td>
<td>3,034,471</td>
<td>2,639,392</td>
</tr>
<tr>
<td>Occupancy</td>
<td>315,809</td>
<td>364,352</td>
</tr>
<tr>
<td>Total noninterest expense</td>
<td>6,425,988</td>
<td>6,021,213</td>
</tr>
<tr>
<td><strong>NET INCOME</strong></td>
<td>$ 1,409,935</td>
<td>$ 937,279</td>
</tr>
</tbody>
</table>
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.
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

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
Nancy Morgan
Phil Livesley
Ron Miller
David Lacka
Linda McKinney
Larry Long
Harry Speropulos
Spencer Wedlund

Chairman
Vice Chair
Treasurer
Secretary
Director
Director
Director
Director

SUPervisory Committee

Henry Tieu
Robert Mealey
Harry Speropulos

Chairman
Member
Member

senior Management

Tom Griffith
Laureen Boda
Diane Calvin
Dana Eaton
Dave Thompson
Eric Keyser

President/CEO
SVP CFO
SVP CLO
VP Marketing
& Member Service
VP Human Resources
& Risk Management
VP Information
Technology