

2016

BUSINESS PLAN

Includes analytics, strategies, and goals



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A scenic view of a river at sunset. In the foreground, a wooden dock extends into the water, with a yellow kayak and its paddle resting on it. To the right, a white boat is moored at the dock. In the background, a large green steel truss bridge spans the river. The sky is filled with soft, golden light from the setting sun, with scattered clouds. A large yellow circle is overlaid on the right side of the image, containing the word 'CONTENTS' in white capital letters.

CONTENTS

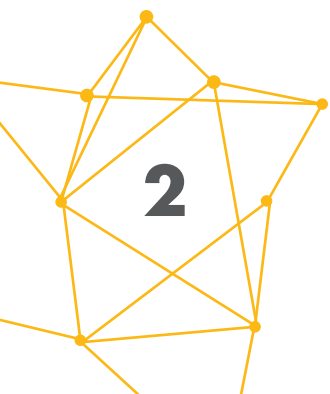
EXECUTIVE SUMMARY

Each year has a distinct vibe, but unlike past years, I can't remember the end of the fourth quarter coming so fast. Our employees did a great job executing our business plan this year and they continue to reinforce my belief that our employees are what makes our credit union so successful. I am very thankful to work with such a great group of professionals.

Busy, busy, busy...we accomplished a lot in 2015. One of our biggest accomplishments of the year was remodeling our Sandy branch; it will set the standard for our branches in the future. It was a large investment but one that will pay dividends in future member growth and will establish ourselves as a financial leader in this NE Portland neighborhood. We also redesigned our website and online banking product, signed a lease to relocate our NW branch, engaged public relations and marketing firms, launched a new high-interest checking account and hired many key employees.

Business was good in 2015; deposit growth was strong and our mortgage loan volume was up 50% over last year as a result of our red-hot housing market. The health of our sponsoring companies and the Portland economy were both very strong and continue to trend positively. Portland's seasonally adjusted unemployment rate is less than 6% and the National GDP is projected to be greater than 2.5% for the year. These factors helped spur our growth in 2015 and made it another great year.

We still have many market challenges: over-saturated banking market, new regulations, XPO's purchase of Con-way and low unemployment, which makes it difficult to recruit talented employees. With this all said, we still had many "wins" in 2015 and the timing of our expansion, coupled with the improvement of Portland's economy, leaves me very excited for the future of our credit union.



DID YOU KNOW?

Portland is smart, with a higher percentage of literate people than any other major city in America.

CORPORATE SPONSORS

Although we are a community-based credit union that serves individuals who live, work, attend church or school in Portland's tri-county area, our roots are tied to four of Portland's most recognizable legacy companies: Daimler, Con-way, adidas and Columbia Sportswear.



DAIMLER

It was a good year to be a large truck manufacturer. In 2015, Daimler Trucks North America (DTNA) had a strong year for truck sales. The new corporate headquarters on Swan Island will be completed in 2016. The beautiful facility has already been nicknamed the "Glass Palace". We will deploy an upgraded, next-generation ATM in this new Daimler facility and the existing ATM will remain in the Corp One building, giving their employees maximum access to the credit union's services.



CON-WAY

XPO's purchase of Con-way was an unexpected bombshell. The consensus opinion is XPO will consolidate their operations with Con-way, resulting in some layoffs within this segment of our membership. Current Con-way employees make up 500 of our nearly 14,000 members, with \$4 million in loans and \$9 million in deposits. Regardless of the outcome of this sale, we will continue to serve these members and help them through this challenging transition.



ADIDAS

The apparel industry is one of the most cutthroat industries in the United States, and adidas is in an old-fashioned knife fight with Under Armour for second place in the U.S. domestic market. The credit union's growth among adidas employees has been very strong over the last year. Our marketing department has made great strides assimilating with their corporate culture. This year we participated in their benefits fairs, conducted home buying seminars and hosted an educational series on personal finances.



COLUMBIA SPORTSWEAR

Americans can't get enough sportswear and outdoor gear. Columbia and their stockholders have been the beneficiaries of this shift in popular culture. In 2015, their human resources department put all of their employee benefits out to bid. Although they received RFPs from OnPoint, First Tech, Advantis and Unitus (credit unions near \$1 billion in assets), they selected us as their preferred financial institution. They continue to be a good source of future loans and accounts for our credit union.



DID YOU KNOW?

Gottlieb Daimler was one of two men credited with designing the world's first automobile.

SITUATION ANALYSIS

NATIONAL ECONOMY

This year the economy continued to improve at a steady pace. Unemployment will decline to less than 5% and the GDP will climb to over 2.8% next year; both are levels that have not been achieved since before the recession. With unemployment levels near “full employment”, consumer confidence is at its highest since 2007. Inflation should not be much of a concern with projections being 2.3% for next year, versus 1.2% for this year. As for other economic drivers: business-related spending will climb modestly next year at approximately 4%, energy prices will remain moderate, the housing market will continue to be healthy with first-time buyers at its center and governmental spending will increase (but will not make a significant impact on next year’s GDP figures). On the political front, Capital Hill seems destined to be perpetually gridlocked as the two parties have firmly dug in their heels and there is no end in sight. This is not a significant near-term issue for our economic growth, but it could prove to be an anchor as the economic recovery becomes elongated. The elephant in the room is when will the Feds increase rates? Every prognosticator, analyst and palm reader has predicted interest rates will finally start to move in 2016.

OREGON ECONOMY

Growth in housing, construction, and technology, coupled with low inflation and low unemployment, was like holding a full house in a high stakes poker game. The Portland metro adjusted unemployment rate was 5.8%, down from 6.2% in 2014. In some respects the economy was too good; the low unemployment rates made hiring and retaining employees more difficult than usual.

The state’s real estate market, in particular the Portland metro area, was one of the strongest markets on the west coast. For the past three years the Portland market has seen double-digit gains in property values and as a result, our real estate lending department saw a 50% increase in loans funded for 2015.

NCUA & THE CFPB

The National Credit Union Administration (NCUA) is actively seeking ways to help facilitate growth among federally chartered credit unions. This year they increased the “small credit union” designation from \$50 million to \$100 million and implemented a regulatory relief act in an effort to try to lessen the membership hurdles for joining a federal credit union. The most impactful pending legislation for our credit union is the proposed recalculation of how the member business loan cap is calculated. One-to-four unit, residential real estate loans would no

longer be calculated in our member business loan cap, allowing us to increase our ability to make more commercial real estate loans to our members. The NCUA is part of the Federal Financial Institutions Examination Council (FFIEC) that has just issued a cybersecurity assessment tool. To condense thousands of pages of regulations, the sum of this new process is financial institutions will rate their risk level and then be required to follow certain protocol based on the risk and complexity classifications that are assigned. The reality of this new regulation/process is that it adds one more task for our IT department to manage on top of their already busy work load.

ECONOMIC FORECASTS

GDP GROWTH

2.8% in 2016 up a little from 2.5 in 2015



INTEREST RATES

10-year T-notes at 2.7% by end 2016; 2.3% by end 2015



INFLATION

2.3% by end 2016, up from 1.2% at end 2015



UNEMPLOYMENT

Declining to 4.6% by end 2016, from 5% by end 2015



CRUDE OIL

Trading from \$40 to \$45/bbl. by Dec.



NEW-HOME STARTS

Single-family homes rising by 20% in 2016



SITUATION ANALYSIS

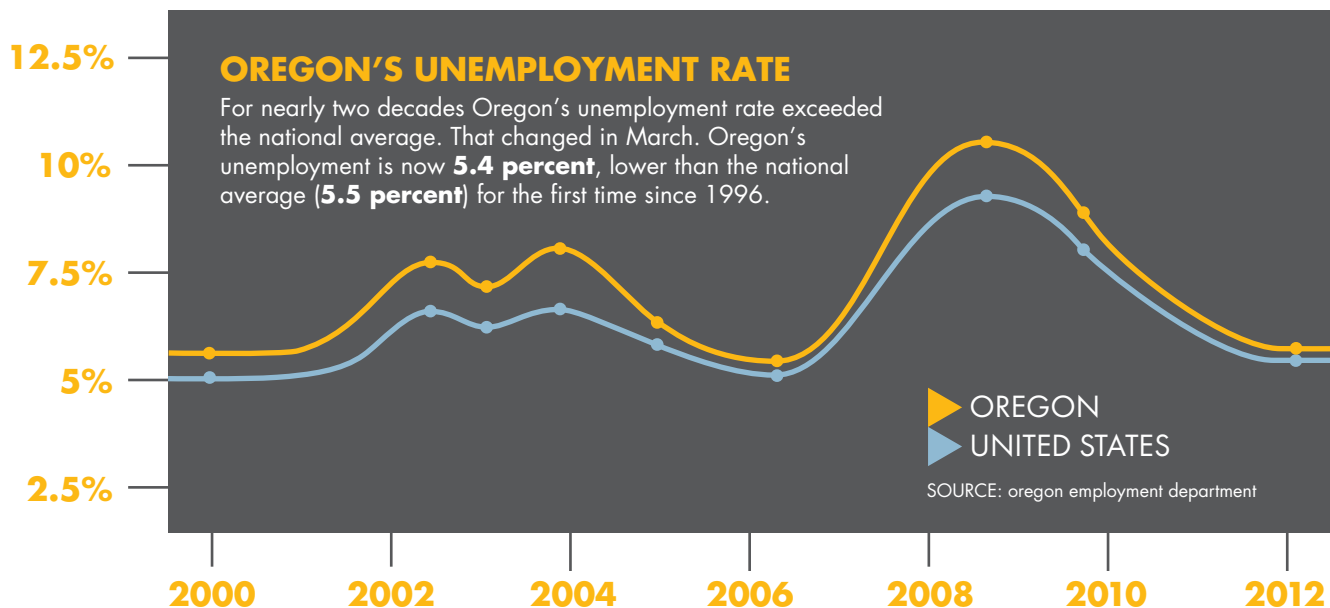
There is nothing new to report with the Consumer Finance Protection Bureau (CFPB). They continue to charge forward with implementing new rules and regulations. They are a well-funded, well-appointed and a very eager organization. I do not see an end in sight with the current regulatory climate. Our credit union collaborates with many small credit unions through our mortgage assistance program and the new regulations have taken a heavy toll on our resources and it is even more apparent with the smaller institutions. Regulations will weigh heavy on credit unions and this will be one contributing factor as to why credit union mergers will increase over the next decade.

BANKS

The consumer banking market is one of the most competitive industries, and every day there are new players fighting for market share. There is a battle being waged over how consumers pay for goods and services and Apple Pay, Samsung Pay, Google Wallet and even Wal-Mart will all have payment solutions implemented by 2016. The Portland market has become over concentrated and banks will continue to close branches and consolidate departments that are not profitable. The banking sector will see growth as long as people continue to move to Oregon, but margins are tighter than ever.

CREDIT UNIONS

As an industry, credit unions continue to cannibalize ourselves. Fifty-eight percent of consumers that belong to a credit union have an account at another credit union too. The tipping point has yet to be reached, but there are only so many credit unions that will have a place in the Portland banking market. The straw that breaks the camel's back will likely be a series of economic (recession), social (uber-like event) and legislative (taxation) events, rather than one silver bullet that cripples the credit union industry. The future remains bright for those credit unions that can create profitable business models and maximize niches.



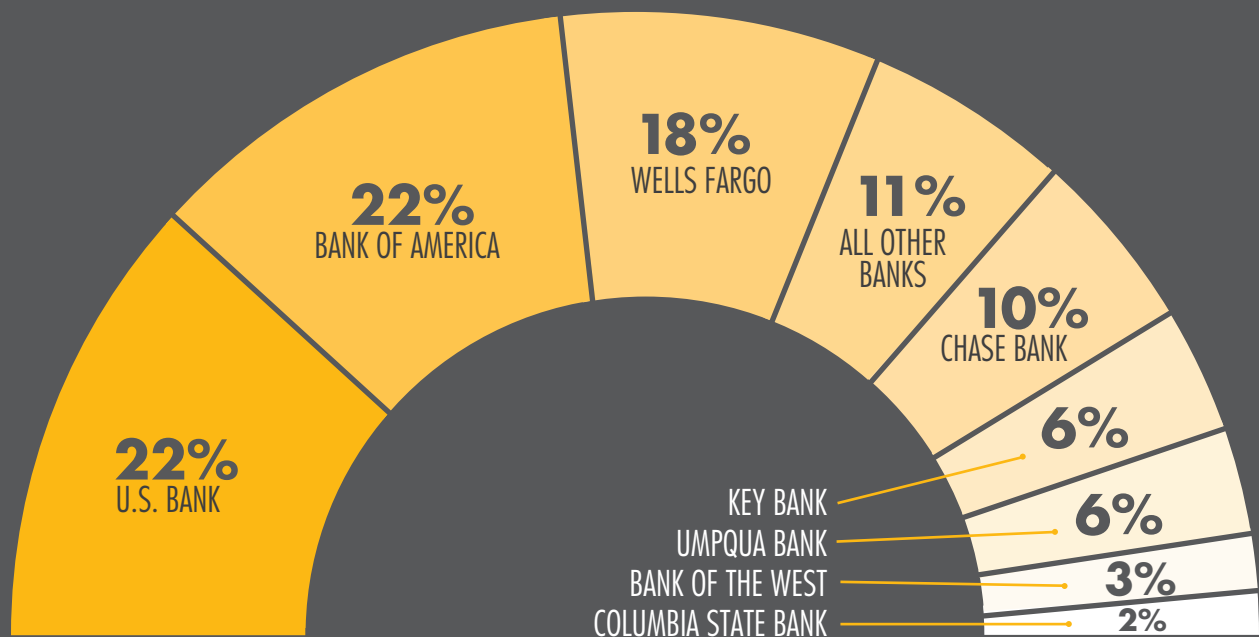
DID YOU KNOW?

Portland holds the world record for the world's largest yoga chain, with over 800 participants.



BIG GUYS OWN THE MARKET

FDIC data shows who controls the majority of the Portland banking market.



2015 YEAR IN REVIEW

2015 FINANCIAL REVIEW

As the economy continues to improve, credit unions will strengthen their balance sheets. The NCUA finalized their new risk-based capital requirements in 2015. In this legislation, credit unions are evaluated by the riskier elements that reside in their balance sheets. For example, a greater percentage of long-term assets means a credit union has more interest rate risk and their capital would be discounted compared to a credit union without these investments. Compared to our peers, we are in the 75th percentile for most key financial ratios. We also received three distinctions this year: Bauer Financial recognized us as a 5-star organization, DepositAccounts.com rated us among the top 200 safest credit unions, and Tony Ward-Smith dubbed us as a "High Performance" credit union, one of 500 credit unions to obtain this honor out of 6,700 credit unions.

INTEREST RATES

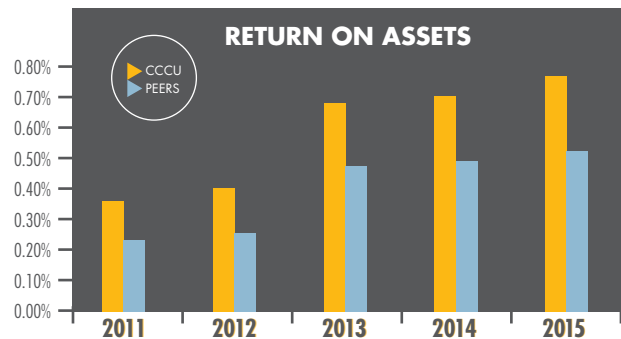
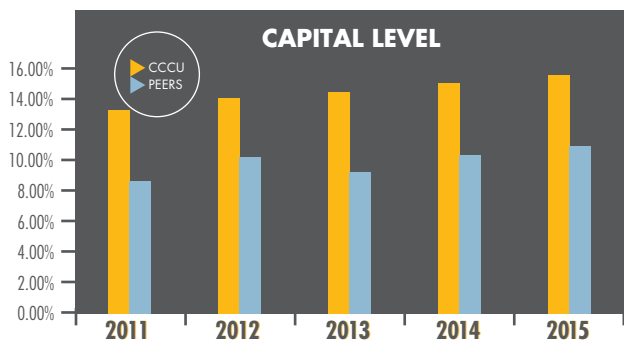
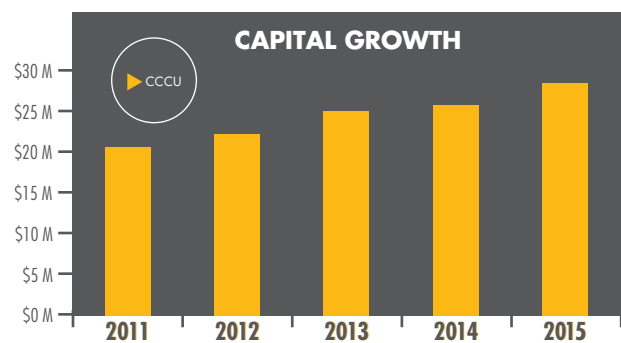
The Vegas money is on short-term (prime) and long-term (10-year bond) rates increasing at the end of 2015 or Q1 of 2016. The Federal Reserve has been forecasting the rise in interest rates for most of this year. As the majority of the economic indicators begin to improve, the Federal Reserve will have a difficult time not adjusting interest rates. Most of our assets are in short-term (less than seven years) or variable rate loans, so an increase in rates will help our margins, rather than be a detriment.

CAPITAL

The credit union's capital-to-asset ratio is nearly 15%; the average peer ratio is just over 10%. A well-capitalized credit union is considered to be anything over 7%. This ratio depicts a credit union's ability to contribute to the bottom line and operate in a safe and responsible manner, commonly referred to as the "savings ratio".

RETURN ON ASSETS

Our ROA is projected to be slightly higher than last year's figure of .68%, much higher than the peer ratio of .57%. Our short-term net income will be affected by our investments in our facilities and our marketing, but these investments should pay off in the long run in member accounts and loan growth.



DID YOU KNOW?

You could eat at a Portland food cart every night for two years before you'd be forced to eat at the same place twice.



2015 YEAR IN REVIEW

LOAN LOSSES

The credit union's loan losses are historically very low; we are projecting loan losses of less than \$200,000 for the year. The breakdown on these losses is \$80,000 from CCCU loans and \$120,000 from the GOLF participation loans. A typical credit union of our size would have loan losses of \$650,000 with a .50% loss ratio.

LOAN DELINQUENCY

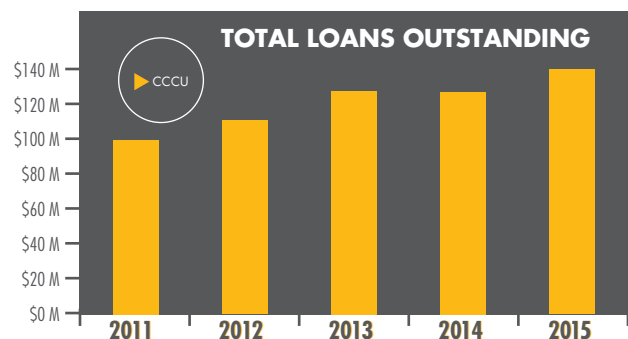
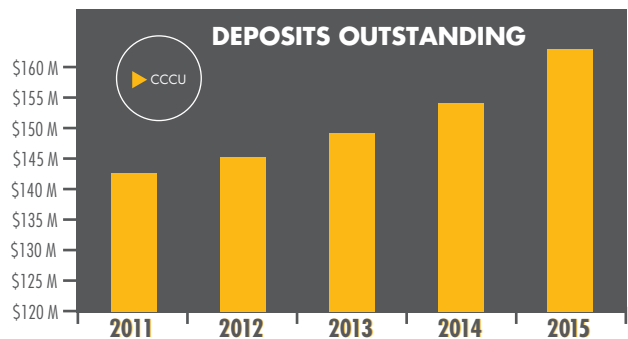
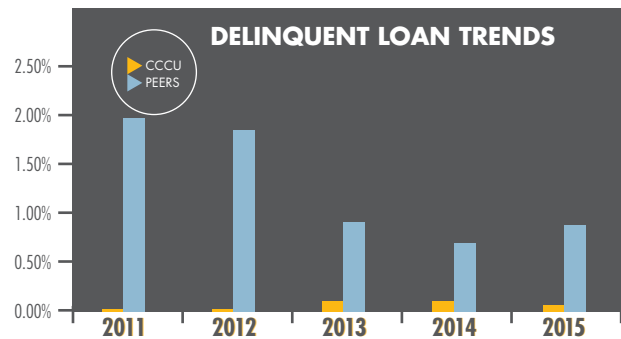
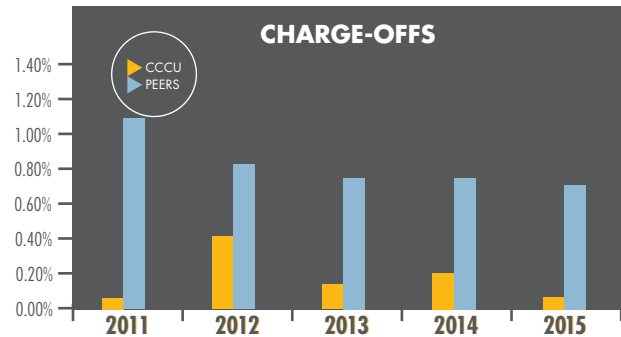
Loan losses go hand-in-hand with loan delinquency. A typical credit union in our asset category has a delinquency ratio of .85% and we are projecting a delinquency ratio of .15%. For perspective, this is less than \$150,000 in delinquent loans for a portfolio of \$133 million.

DEPOSIT GROWTH

Our deposit growth was primarily in money market and checking accounts. Our deposit growth of \$8.5 million equates to a 5% growth rate, which is comparable to our peers.

LOAN GROWTH

Net loan growth for 2015 will be approximately \$6.5 million. Our loan portfolio had positive growth in auto loans largely due to the loans that were originated through the CUDL indirect lending network. We also had a very busy year funding home equity and mortgage loans due to the increase in home values and large number of home purchases.



2015 YEAR IN REVIEW

2015 LOAN AND DEPOSIT GROWTH

FINANCIAL GOALS		
LOAN GROWTH	ORIGINAL GOAL	REVISED YEAR-END FORECAST
CONSUMER	\$8.00mm	\$2.50mm
HOME EQUITY	(\$2.00)mm	\$2.00mm
REAL ESTATE - 1st MORTGAGE	\$2.00mm	\$2.00mm
MEMBER BUSINESS LOANS	\$1.00mm	\$0.00mm
TOTAL	\$9.00mm	\$6.50mm*
DEPOSIT GROWTH		
REGULAR SAVINGS	\$2.00mm	\$1.00mm
CHECKING	\$2.00mm	\$4.00mm
MONEY MARKET	\$2.00mm	\$2.00mm
CERTIFICATES	\$0.00mm	\$1.50mm
TOTAL	\$6.00mm	\$8.50mm
*Net of loan participations.		



DID YOU KNOW?

There's a \$500 fine if you try to pump your own gas in Portland.



2015 YEAR IN REVIEW

ASSET LIABILITY MANAGEMENT

Asset liability management (ALM) is the function of managing interest rate risk. The credit union manages these risks by taking the following steps:

- Utilizing Balance Sheet Solution’s modeling system, which takes into account the remaining life of loans, investments and deposits, and using this information in conjunction with different rate shifts to show how income will be affected under various scenarios.
- Laddering short-term investments so that we can take advantage of extended maturities without sacrificing liquidity.
- Funding real estate loans that are typically 5 and 7 year adjustable rates, rather than holding a large portfolio of 30-year fixed rate loans that would expose us to long-term market rate variances.

ALM GOALS

The ALM goals established for 2015 and operating results confirmed as of our last analysis were as follows:

- Manage the variance of net interest margins at plus or minus 50 basis points.
- Maintain 75% of all investments with maturities of 24 months or less.
- Manage Net Economic Value (NEV) in a plus 300 basis point environment, not to exceed 30% decline in book net worth.
- Manage Net Interest Income (NII) in a plus 300 basis point environment, not to exceed 30% decline in net income.

NCUA INTEREST RATE RISK GUIDELINES

The following chart reflects NCUA’s interpretation of NII and NEV risk level based on a plus 300 basis point environment.

BASIS OF MEASUREMENT	LOW RISK	MODERATE RISK	HIGH RISK
NII (NET INTEREST INCOME) EARNINGS SIMULATION (after shock change over any 12 mo. period)	-3.91% <20%	20-30%	>30%
NEV (NET ECONOMIC VALUE) (after shock change in market value net worth)	-7.04% <25%	25-50%	>50%
OR (after shock value of net worth)	13.86% >6.0%	4.0-6.0%	>4.0%

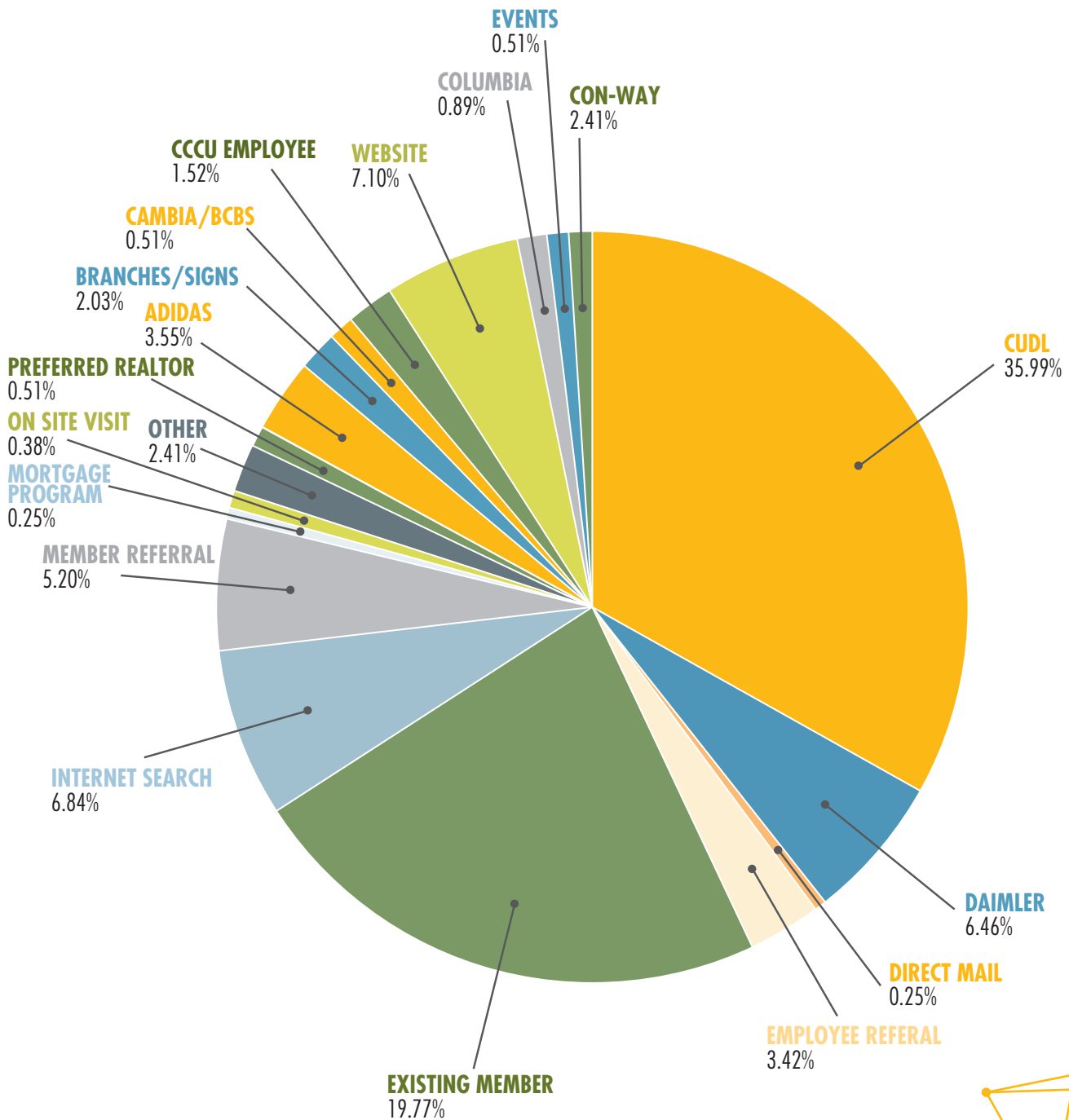


DID YOU KNOW?

adidas has over 53,731 employees worldwide.

NEW ACCOUNTS

WHERE DO THEY COME FROM?



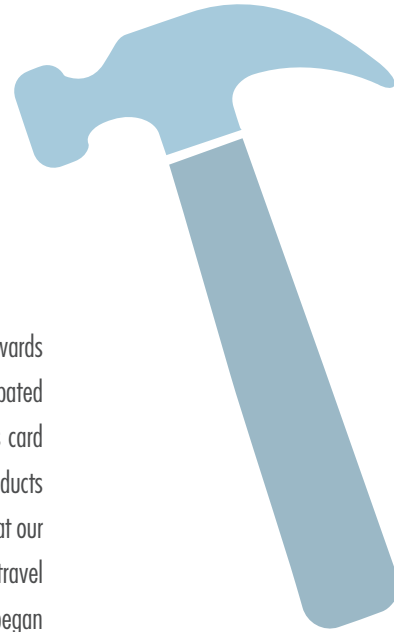


Consolidated
Community
credit union

PROJECTS



2015 PROJECTS



SANDY BRANCH REMODEL

The Sandy branch has always been our flagship office, as well as our busiest location, and now it will be a source of pride for our employees and membership. The facility was completely remodeled and retooled to have all the latest electronic banking features, mobile banking demos and a touch screen TV for product information. This remodel will help us attract new members and retain our existing members while solidifying our organization's commitment to this NE Portland neighborhood.

WEBSITE REDESIGN

Our website acts as another branch and more members visit it in a day than all of our branches combined. We hired Watson Creative to help us improve the look and functionality of our site. The website redesign required many hours of development from our IT and marketing departments, but they both did a great job working on the evolution of the site. The final deployment of the site will be Q1 in 2016, but most of the heavy lifting was completed this year.

REWARDS VISA®

The launch of our Visa Signature Rewards credit card will be one of the most anticipated products in recent memory. The rewards card has been one of the most requested products by our members. It is a unique card in that our members can earn cash, merchandise or travel rewards, all with the same card. We began offering this program in 2015, so we should see some increase in our visa balances in the last quarter, but the biggest impact of this program will be seen next year. We currently have less than 2% of our loan balances in our credit card products and would like to increase that total to 10% of our loan portfolio over the next five years. These new credit cards will also have the latest in chip technology (EMV); this will reduce fraud, which will benefit both the members and the credit union.

NEW MORTGAGE PROCESSING SYSTEM

We had outgrown our existing mortgage loan processing system with the growth of our mortgage department and our current needs exceeded the old system's capabilities.

The new Encompass software offers a far more robust platform that will allow us to process loans more efficiently, while providing a very detailed compliance module that is an essential requirement with the onslaught of new mortgage regulations.

UPDATED ONLINE BANKING PRODUCT

Our current online banking platform will reach its end-of-life in March 2016. Most of the planning and testing for the new product took place this year, but the final implementation will be Q1 of 2016. This product is the most used product in our electronic platform and our members will see a significant improvement from our existing solution.



DID YOU KNOW?

Oregon has more ghost towns than any other state.



2016 PROJECTS

For the last three years we have been moving at Mach speed. In many ways we are our own worst enemy because we have a very high set of expectations for the products and services we offer our membership. The plight of a medium-sized credit union is that you are always working twice as hard to keep up with the larger financial institutions. Our team has done a great job keeping our credit union relevant with our membership. With these new, top-notch products and services in place, we will turn our focus to capitalizing on the improvements we made to our branch infrastructure and suite of electronic services. Much of this is reflected in the strategies and initiatives in this year's business plan.

RELOCATION OF NW BRANCH

We will relocate the NW branch one block away to the L.L. Hawkins building (AKA Slabtown Development) next to the New Seasons market on NW 21st Avenue. The relocation of this branch to a more visible location will enable us to serve a broader cross-section of the residents that live or work in this area. The financial profiles of the residents that live in this area are very similar to the rest of our membership: professional and affluent. An advantage of being in this community is the average age of the residents living near 21st/23rd street is 10 years younger (35) than the average age of our membership (47). The branch is scheduled to be completed by March 2016.

ATM AT ADMINISTRATION BUILDING

With all of the apartment complexes being constructed in the Lloyd District and the daily foot traffic that passes by our building, adding an ATM to the front of our administration building seemed like a natural fit. Between waiting for permits from the city and the blackout dates issued by the ATM network providers, we are planning to have this ATM in operation the first part of February. The amortized monthly expense that will be associated with this ATM will be a good investment for the marketing opportunities and exposure the ATM will create.

EMV DEBIT CARDS

Europay MasterCard and Visa, or EMV, is the latest in chip technology for U.S. cardholders, even though it is a technology that has been in Europe for more than 10 years. By inserting a micro processing chip into each card, an added layer of security is created, making it almost impossible to duplicate the card. This dramatically reduces "card present fraud" due to card counterfeiting, but it still leaves the financial institution vulnerable for "card not present" transactions, such as those over the phone and internet. We are currently in line with our vendor, Fiserv, to adopt this technology in the first half of 2016.



DID YOU KNOW?

Oregon's state birthday is on February 14, Valentine's Day.



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2016 PROJECTS

ELECTRONIC SERVICES

In the world of electronic payments/mobile wallets, there is a tug-of-war playing out among such providers as: Apple Pay, Samsung Pay, Android Pay, PayPal and Google Wallet to see whose technology and devices will become the predominant platform. The challenge for our institution is to determine what payment services we will dedicate our resources to, since not all platforms will be adopted by mobile users. We are already in the process of adopting Apple Pay, and I am sure we will continue to explore the Android version of this product.

CARRY OVERS

The redesign of the website and the upgrade of our online banking product will be implemented in early 2016. The bulk of these projects will be completed this year, but the most critical phase of the project comes with the implementation and training with our staff and membership. These are two very large member-facing projects that will raise the level of our online services.

EMPLOYEE RETENTION

Although it is more of a shift in culture than a specific project, the need to address the high level of turnover in the frontline operations staff became a key initiative for our management team to tackle. As a team, we collectively decided to look for ways to engage these employees to increase their sense of loyalty. Our focus will be on an extensive new-hire orientation/onboarding process, expanding employee training programs, assisting employees in achieving their career goals and communicating advancement opportunities within the credit union in hopes of increasing job satisfaction, ultimately leading to greater employee retention.



DID YOU KNOW?

Columbia Sportswear Chairman Gert Boyle's parents, German nationals who fled Nazi Germany in 1938, purchased a small hat company upon their arrival in Portland and named it Columbia Hat Company.

2016 GOALS

2016 GOALS		
FINANCIAL	PROJECTED 2015	2016
CAPITAL/ASSET RATIO	14.88%	14.70%
RETURN ON ASSETS	.77%	.37%
CAPITAL GROWTH	\$1.45mm	\$723,000
LOAN/DEPOSIT RATIO	81%	83%
NET OPERATION EXPENSE/ AVERAGE ASSETS	3.68%	4.11%
LOAN/DELINQUENT RATIO	.20%	.50%
CHARGED-OFF LOAN RATIO	.13%	.15%
CHARGED-OFF LOANS	\$200,000	\$200,000
RECOVERIES - CHARGED-OFF LOANS	\$30,000	\$20,000
REAL ESTATE LOAN FEE INCOME	\$3mm	\$2.5mm



ASSET LIABILITY MANAGEMENT (ALM)

These asset liability management (ALM) goals are accomplished by managing our balance sheet, the rates we pay our members for their deposits and the rates we set for our loans and the types of investments we purchase.

- Manage variance of net interest margins plus or minus .50%
- Maintain 75% of all investments with maturities of 24 months or less
- Manage Net Economic Value (NEV) in a plus 300 bp environment, not to exceed 30% decline in book net worth
- Manage Net Interest Income (NII) in a plus 300 bp environment, not to exceed 30% decline in net income



STRATEGIES

2016 STRATEGIES

We have implemented some significant strategies over the past three years, the most significant being the investment in our facilities (administration office and the three branches) and upgrading technology. These strategies were implemented to keep us relevant with our members and are investments we are looking to capitalize on over the next decade. These two aspects will be woven into most of next year's strategies. From bottom to top, these are our top six strategies for 2016:

SAFETY & SOUNDNESS



As a financial institution, security and financial strength are a must. Normally these would be higher up the list of importance, but due to our strong financials and the excellent security audits we receive, we are able to maintain a high level of safety and soundness without this being a major initiative for next year.

MANAGE COMPLIANCE

Compliance is a necessary evil in the financial services industry and the reality is compliance is not going away, heck, it is not even leveling off.

More regulatory agencies means more rules, and more rules means more resources will be required to manage our compliance burden. Every department manages its own compliance at our credit union, and if you add up all the employee time dedicated to compliance-related activities, we have a total of three to four full-time employees to manage our compliance needs... in excess of \$200,000 in salary and benefits.

INTELLIGENT GROWTH



It is important that we grow with a purpose and acquire accounts that fit within our business model. Our growth strategy has been to market our products and services to individuals with stronger financial profiles and maximize the number of services these individuals have with the credit union. Next year our marketing strategies will expand our reach and cover a larger percentage of Portland as we look to target the same type of individual but reach a larger audience. The challenge is to balance the investment we are making in marketing while continuing to make an appropriate net income.

MEMBER EXPERIENCE

We have made a lot of strides improving the amenities in our branches and introducing/upgrading our electronic services with the intent of providing our members a better

banking product. We have also initiated various employee training programs to increase the knowledge and skills of our member service departments, all with the goal of serving our members in a more efficient and streamlined manner.

EXPAND OUR REACH



If we want to continue to increase our assets and fuel our growth we will have to expand our marketing programs within the Portland community; this is our greatest opportunity for sustained growth. These growth strategies are outlined in the following section labeled "2016 Marketing Strategies".

EMPLOYEE GROWTH AND RETENTION



Aside from better member service, our management team's goal is to expand employee knowledge and increase their engagement and sense of ownership within the credit union. This, in turn, will improve retention. Although we are considered a small employer, with less than 50 full-time employees, we need to do a better job communicating future openings that will exist as we continue to grow and expand the services of our credit union. Our employees and their growth is a key component to the future of our credit union.

MARKETING STRATEGIES



NEW STRATEGIC PARTNERSHIPS

This year we established great relationships with two new apartment complexes near our branches. The first is Hassalo on Eighth, a 670-unit development that provides potential for new checking accounts and the second is L.L. Hawkins's complex above the new NW Branch, with 113 apartments offering many of the same opportunities. Each new resident in these buildings will receive a welcome gift of a growler set, complete with our branding and detailed information on our products, services and nearest location. We will also do some joint marketing with the property management teams, hosting financial education seminars and social meet and greets.

We also formed a partnership with Knowledge Universe (aka Kindercare) corporate headquarters, which is located one block from our administration office. Our approach with them will be similar to the path we have taken with adidas and Columbia Sportswear, where we increase our awareness and exposure with educational seminars and give away prizes during employee appreciation events.

We will continue to seek strategic partnerships with residential property managers and companies to open new markets for the credit union.

FOCUS ON THE COMMUNITY

This year we started laying the foundation of becoming a better-known entity in the communities that surround our branches. Our approach is to leverage the new and remodeled branches and improved branding to the residents and employees who live within a two-mile radius of our locations. We kicked off this awareness by hiring a PR firm to announce the completion of the branches and the investment we made in these neighborhoods. This year we also held open houses at our Lloyd District location and the Sandy branch. These were great events that created awareness and our staff did a great job meeting residents and showing them around the facilities.

When we open the new NW branch, we will communicate our brand through open houses, email marketing, direct mail marketing, community events, strategic partnerships, electronic marketing with Yelp and Facebook ads, select billboards and some targeted print periodicals Laurelhurst and Irvington Living. Our goal is quality over quantity: target residents who have similar profiles as our current membership, so our new members will be quality accounts. In 2016 we will significantly increase our community marketing budget compared to this year. The goal is to exceed a 5% growth rate in our checking accounts, deposits and loans.

EXISTING SPONSORING COMPANIES

Our legacy companies Daimler, Con-way/XPO, adidas and Columbia Sportswear will continue to be a big focus of our marketing and business development. These employees continue to be a captive audience for our products and services.

Columbia Sportswear put their preferred credit union services out to bid and although they received proposals from three large credit unions, they renewed their relationship with us. Their reaffirmation will be positive for our credit union as human resources is now more willing to give us expanded access to their employees. As a result, the growth within this sector of our membership should be positive next year.

We are also installing an additional ATM at Daimler's new administration office. Now with two corporate locations on Swan Island, they have created the largest concentration of Daimler employees in Oregon and, more importantly, for the credit union. This solidifies Daimler's commitment to staying in Portland and minimizes the risk of them moving out of state.

MARKETING STRATEGIES

MAXIMIZE NEW PRODUCTS

To complement this community marketing strategy, we have developed and implemented many new products this year. These products will be the foundation of our internal and external marketing for the coming year.

VISA REWARDS CARD

This has been one of the most requested products by our members and we are very excited with the initial response. We anticipate significant growth in our Visa balances over the next year.

PEAK CHECKING ACCOUNT

This year we had 17% growth in our checking account deposits and we'll continue to use Peak Checking as our premiere product to attract new checking accounts.

ELECTRONIC SERVICES

This year we started or implemented many new electronic services, including website improvement, an upgraded banking product, a new email marketing program, a touch-screen TV in the Sandy branch and a new account opening tool that will allow our members to open accounts online from start to finish.

MORTGAGE LENDING

Our mortgage lending department has continued to produce incredible results. Mortgage loans provide a very successful avenue to meet members' other financial needs: home equity loans, auto loans, visa cards, checking and money market accounts.

This year we established partnerships with four more credit unions: Point West Credit Union, Lewis Clark Credit Union, US Agencies Credit Union and Siskiyou Central Credit Union. This brings the total of credit unions we assist to 21 with credit unions in Oregon, Washington, Idaho and California. Sixty percent of the mortgage loans we processed this year were from other credit unions' members and is the highest percentage of non-member loans since we started this program. We will continue to look for additional credit unions to serve, for these partnerships will help our mortgage income and opens the door for potential mergers.

LOANS

The trifecta for loan growth is strong employment, increasing consumer confidence and pent-up demand. All of these conditions exist in the greater Portland market, so the table is set for positive loan growth next year. Our goal is to fan this flame and capture the demand that exists. We will offer interest rate discounts and marketing incentives to make ourselves the best option for these consumers. We are also going to continue to market the new Visa Signature Rewards card to our members and anticipate the demand for this product will continue to expand.

DEPOSITS

In 2015 we had a large increase in our checking account balances, a result of a combination of positive economic factors within our sponsor groups and the pricing strategy to keep our deposit rates in the top of the Portland market. If we have strong employment with our sponsor companies, well-priced deposit products and continue to offer new products like Peak Checking, we will see future growth in our deposits. We will probably cross the \$200 million in deposits during 2016 after our sponsor companies pay bonuses in Q1. Although there is nothing magical about this mark, it is a significant achievement and another step in our continued growth.



DID YOU KNOW?

Daimler Trucks North America has over 14,000 employees.



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MARKETING STRATEGIES

MARKETING STRATEGIES	
LOANS	DEPOSITS
AUTO/CONSUMER ——— \$2.5mm	REGULAR SAVINGS ——— \$1mm
HOME EQUITY ————— \$2.5mm	CHECKING ————— \$3mm
REAL ESTATE ————— \$3mm	MONEY MARKET ——— \$2.5mm
COMMERCIAL MBL ——— \$1mm	CERTIFICATES ————— \$0mm
TOTAL ————— \$9mm	TOTAL ————— \$6.5mm

SUMMARY

We have upgraded our branches and electronic services and implemented a new online account opening tool, so now it is time to increase our awareness within the communities that surround our facilities. This investment in marketing will impact the net income in the short-term but will pay dividends in membership and checking account growth.



DID YOU KNOW?

The adidas logo looks like a mountain to represent the obstacles that people need to overcome.

A glass jar filled with US dollar bills, with a large yellow 'B' overlaid on the image. The bills are stacked and some are visible through the glass. The background is a light blue gradient.

BUDGETS

2016 OPERATING BUDGET

BUDGET

INCOME

	03/2016	06/2016	9/2016	12/2016	12/2016 (YTD)
income from loans	\$1,310,678	\$1,337,824	\$1,363,754	\$1,376,682	\$5,388,938
investment income	\$83,503	\$85,370	\$88,752	\$90,355	\$347,981
fees/charges	\$701,855	\$701,855	\$701,855	\$701,855	\$2,807,419
miscellaneous income	\$171,559	\$173,437	\$175,734	\$177,659	\$698,389
income	\$2,267,595	\$2,298,486	\$2,330,095	\$2,346,551	\$9,242,727
TOTAL INCOME	\$2,267,595	\$2,298,486	\$2,330,095	\$2,346,551	\$9,242,727

EXPENSE

employee salaries	\$992,602	\$995,105	\$1,003,009	\$1,010,148	\$4,000,864
employee benefits	\$292,111	\$293,815	\$295,443	\$296,880	\$1,178,248
travel/conference	\$10,610	\$10,610	\$10,610	\$10,610	\$42,439
association dues	\$8,220	\$8,220	\$8,220	\$8,220	\$32,879
office occupancy	\$94,183	\$99,042	\$99,591	\$99,591	\$392,407
postage & telephone	\$42,525	\$42,845	\$43,168	\$43,496	\$172,033
equip maintenance	\$95,298	\$95,298	\$95,298	\$95,298	\$381,192
stationary supplies	\$21,266	\$21,266	\$21,266	\$21,266	\$85,066
insurance expense	\$16,179	\$16,559	\$16,749	\$16,749	\$66,236
depreciation exp	\$48,475	\$49,262	\$48,576	\$44,008	\$190,321
bank/share draft exp	\$27,769	\$27,925	\$28,081	\$28,239	\$112,013
ATM expenses	\$101,903	\$101,903	\$101,903	\$101,903	\$407,614
education/promotion	\$56,488	\$56,488	\$56,488	\$56,488	\$225,953
loan service expense	\$101,274	\$101,274	\$101,274	\$101,274	\$405,097
professional/outside	\$29,908	\$29,908	\$29,908	\$29,908	\$119,631
provision for losses	\$43,750	\$43,750	\$43,750	\$43,750	\$175,000
other losses	\$5,001	\$5,001	\$5,001	\$5,001	\$20,004
other expenses	\$15,663	\$15,663	\$15,663	\$15,663	\$62,652
operation expenses	\$2,003,225	\$2,013,933	\$2,023,998	\$2,028,491	\$8,069,648
TOTAL EXPENSE	\$2,003,225	\$2,013,933	\$2,023,998	\$2,028,491	\$8,069,648
NET BEFORE DIVIDENDS	\$264,370	\$284,553	\$306,097	\$318,059	\$1,173,079

DIVIDENDS

div - regular savings	\$6,649	\$6,707	\$6,838	\$6,897	\$27,091
div - other savings	\$537	\$613	\$697	\$620	\$2,468
div - checking	\$3,342	\$3,433	\$3,562	\$3,654	\$13,992
div - money market	\$41,706	\$42,095	\$42,949	\$43,343	\$170,093
div - IRA accounts	\$1,173	\$1,173	\$1,186	\$1,186	\$4,719
div - IRA certificates	\$20,361	\$20,361	\$20,584	\$20,584	\$81,890
div - certificates	\$37,186	\$37,186	\$37,595	\$37,595	\$149,562
dividends	\$110,955	\$111,568	\$113,411	\$113,880	\$449,814
TOTAL DIVIDENDS	\$110,955	\$111,568	\$113,411	\$113,880	\$449,814
NET AFTER DIVIDENDS	\$153,415	\$172,985	\$192,686	\$204,180	\$723,265
TOTAL NON-OP INC/EXP	\$0	\$0	\$0	\$0	\$0
NET INCOME	\$153,415	\$172,985	\$192,686	\$204,180	\$723,265

2016 OPERATING BUDGET

PROFORMA BALANCE SHEET

ASSETS	03/31/16	06/30/16	09/30/16	12/31/16 (YTD)
consumer loans	\$35,565,417	\$36,190,419	\$36,815,421	\$37,440,423
commercial auto loans	\$385,507	\$385,507	\$385,507	\$385,507
home equity loans	\$29,392,592	\$30,392,591	\$30,642,593	\$30,892,595
visa loans	\$2,899,225	\$3,149,224	\$3,399,223	\$3,649,222
real estate loans	\$64,889,517	\$65,556,186	\$66,222,855	\$66,889,524
non-member salal loans	\$368,898	\$299,397	\$229,895	\$160,393
non-member business loans	\$2,613,361	\$2,599,696	\$2,586,031	\$2,572,366
participation loans purchased	\$3,960,468	\$3,205,639	\$2,450,809	\$1,731,886
participation loans sold	(\$3,987,673)	(\$3,961,678)	(\$3,935,684)	(\$3,909,690)
loan loss allowance	(\$1,176,809)	(\$1,170,559)	(\$1,164,309)	(\$1,158,059)
loans to members	\$134,910,504	\$136,646,421	\$137,632,341	\$138,654,167
accounts receivable	\$164,504	\$164,664	\$164,825	\$164,985
cash in bank	\$4,934,316	\$4,080,617	\$4,365,898	\$3,721,764
cash on hand	\$1,334,576	\$1,334,576	\$1,334,576	\$1,334,57
cash in bank/on hand	\$6,268,893	\$5,415,194	\$5,700,474	\$5,056,340
other investments	\$1,236,436	\$1,093,856	\$951,276	\$808,696
corporate cu accts	\$11,990	\$11,990	\$11,990	\$11,990
cd investments	\$32,410,000	\$33,810,000	\$34,860,000	\$35,610,000
investment in CUSO-PSCU	\$54,195	\$54,195	\$54,195	\$54,195
NCUA-CFL capital stock	\$431,352	\$431,352	\$431,352	\$431,352
NCUSIF	\$1,483,434	\$1,483,434	\$1,483,434	\$1,483,434
investments	\$35,627,407	\$36,884,827	\$37,792,247	\$38,399,667
prepaid expenses	\$313,208	\$313,208	\$313,208	\$313,208
land/building	\$6,464,340	\$6,430,434	\$6,396,528	\$6,362,622
furniture/equipment	\$716,595	\$689,544	\$642,979	\$601,182
leasehold improvement	\$446,250	\$435,000	\$423,750	\$412,500
other assets	\$9,179,921	\$9,229,494	\$9,279,301	\$9,329,342
all other assets	\$17,120,314	\$17,097,680	\$17,055,766	\$17,018,853
TOTAL ASSETS	\$194,091,620	\$196,208,786	\$198,345,653	\$199,294,013

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DID YOU KNOW?

Until the late 1800s, domesticated elk freely roamed the streets of Portland, too stubborn to leave as the city grew.

2016 OPERATING BUDGET

PROFORMA BALANCE SHEET

LIABILITIES

	03/31/16	06/30/16	09/30/16	12/31/16 (YTD)
accounts payable	\$996,250	\$996,250	\$996,250	\$996,250
other liabilities	\$1,411,538	\$1,430,718	\$1,449,898	\$1,469,078
liabilities	\$2,407,788	\$2,426,968	\$2,446,148	\$2,465,328
TOTAL LIABILITIES	\$2,407,788	\$2,426,968	\$2,446,148	\$2,465,328

EQUITY

regular savings	\$28,971,173	\$29,221,172	\$29,471,171	\$29,721,170
other savings	\$3,542,425	\$3,842,425	\$4,142,425	\$3,242,425
checking accounts	\$27,964,057	\$28,714,057	\$29,464,057	\$30,214,057
hi yield money market	\$67,409,283	\$68,034,285	\$68,659,287	\$69,284,289
IRA savings accounts	\$2,829,435	\$2,829,435	\$2,829,435	\$2,829,435
IRA certificates	\$11,489,898	\$11,489,898	\$11,489,898	\$11,489,898
certificates	\$20,743,747	\$20,743,747	\$20,743,747	\$20,743,747
member shares	\$162,950,018	\$164,875,019	\$166,800,020	\$167,525,021
regular reserves	\$4,686,970	\$4,686,970	\$4,686,970	\$4,686,970
undivided earnings	\$23,046,878	\$23,219,862	\$23,412,548	\$23,616,728
equity acquired in merger	\$999,967	\$999,967	\$999,967	\$999,967
member capital	\$28,733,815	\$28,906,799	\$29,099,485	\$29,303,665
TOTAL EQUITY	\$191,683,833	\$193,781,818	\$195,899,505	\$196,828,685
LIABILITIES + EQUITY	\$194,091,620	\$196,208,786	\$198,345,653	\$199,294,013



DID YOU KNOW?

Oregon has lots of love for llamas, in fact one-fourth of the country's total llama population lives here.

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FINANCIAL ASSUMPTIONS

INCOME STATEMENT

INTEREST ON LOANS

Computed based on the average return on loans as of 9/30/15 for the general portfolio and a return of 6.00% on new fixture loans.

INVESTMENT INCOME

Computed based on average return on investments as of 9/30/15.

FEES AND CHARGES

Loan Fees, late fees, VISA fees, share service charges and overdraft fees, based on historical trend. Mortgage and member business loan fee income estimated at \$2,500,000.

MISC OPERATING INCOME

Insurance commissions, interchange income is based on historical trends.

OPERATING EXPENSES

COMPENSATION

Employee wages average increase 3%. Includes anticipated commissions for mortgage loans and business development and employee incentive program. Includes addition of new IT position, a personal banker and an MSR for the NW office. Assumes an accrual rate of 20% for year-end bonuses.

EMPLOYEE BENEFITS

This includes pension plan contributions and costs, social security taxes, unemployment insurance, workers compensation, medical/dental, and disability. Based on historical trend as a percentage of compensation with projected increases where applicable.

TRAVEL AND OFFICIALS

Includes expenses associated with the Fort Mill, SC visits, National Marketing Conferences, Symitar conferences and training, local mileage, and board meeting expenses.

ASSOCIATION DUES

Credit Union Association dues projected based on our asset size and number of members and other misc dues based on historical trend.

OFFICE OCCUPANCY EXPENSE

Includes current building depreciation, real estate taxes and rent, as well as the projected costs of the leasehold improvements associated with the NW office and addition of the ATM and night drop at the administration building. Existing office occupancy expenses, such as utilities and maintenance, based on historical trends.

POSTAGE & TELEPHONE

Telephone expense is based on existing circuits. Postage expense is based on historical usage and additional expense associated with projected marketing strategies.

EQUIPMENT MAINTENANCE AND DEPRECIATION

Hardware maintenance of computers, maintenance of furniture & fixtures, software maintenance. Based on historical and projected new contracts and software upgrades including the new online banking platform.

STATIONARY AND SUPPLIES

Office forms and supplies, computer supplies, subscriptions. Based on historical trends.

INSURANCE EXPENSE

Casualty, bond and package of protection. Based on historical rates, an estimate for new building, plus 5%.

DEPRECIATION EXPENSE

Depreciation of furniture and fixtures, computer hardware and software. Based on historical with allowances for new equipment including the replacement of aging PCs, printers, furnishings for the NW office, ATMs and other miscellaneous equipment.

BANK SERVICE CHARGES/ SHARE DRAFT EXPENSE

Correspondent bank fees, money order fees, bill payment service fees, and check printing costs based on historical trends.

FINANCIAL ASSUMPTIONS

ATM EXPENSES

Network fees for Star, Plus, Cirrus and Exchange system, also Fiserv processing fees, shared branching expenses and cost of ATM cards, receipts, and other ATM supplies and servicing based on historical trends.

ADVERTISING AND PROMOTIONAL

Education and training, gifts and goodwill, advertising and promotions based on historical expenses and projections based on current marketing strategies.

LOAN SERVICING EXPENSES

Credit reports, collection costs not passed thru to member, recording fees, VISA processing fees and other loan servicing expense. Based on historical and projected fees associated with the promotion of loans with costs absorbed by the Credit Union.

PROFESSIONAL AND OUTSIDE SERVICES

Legal, audit, accounting, data processing and other professional fees. Based on historical trend.

PROVISION LOAN LOSS

Projected at \$175,000.

OTHER LOSSES

Projected at \$20,000.

OTHER EXPENSES

Includes the usual NCUA operating fee based on credit union asset size. Projected annual meeting and annual dinner expenses, and historical miscellaneous operating expenses.

DIVIDENDS

Dividends based on the average yields for the third quarter 2015.

BALANCE SHEET

ASSETS

CONSUMER LOANS

Projections are for \$1,500,000 of growth throughout the year in auto and other consumer loans, as well as \$1,000,000 of growth in fixture loans.

HOME EQUITY LOANS

Projections are for the portfolio to increase by \$2,500,000 throughout the year.

VISA LOANS

Projections are for \$1,000,000 of growth throughout the year.

REAL ESTATE LOANS

Includes Commercial Real Estate. Projections are for the portfolio to increase by \$4,000,000 in residential and commercial real estate loans.

PARTICIPATION LOANS PURCHASED

Projections are for the normal pay down of the commercial non-member business loans.

PARTICIPATION LOANS SOLD

Assumes normal pay down.

ALLOWANCE FOR LOAN LOSSES

Projecting provisions of \$175,000, recoveries of \$5,000, and Charge-offs of \$200,000 for the year.

CASH

Based on historical trend.

CD INVESTMENTS

CD's are the bulk of surplus funds not loaned to members and move up and down in relation to variances in deposit and loan growth.

NCUSIF

Based on a percentage of assets.

PREPAIDS

Based on historical trend.

LAND AND BUILDING

Includes land and building for both the Sandy office and the Administration building, less accumulated depreciation. This also includes estimated costs associated with the additional of the ATM and night drop at the administration building.

FINANCIAL ASSUMPTIONS

FURNITURE & EQUIPMENT/ LEASEHOLD IMPROVEMENT

This includes normal depreciation of existing furniture and equipment and projected purchases and improvements for the NW office.

ACCRUED INCOME

Based on historical.

LIABILITIES

ACCOUNTS PAYABLE

This includes an estimate of the Credit Union checks outstanding. Based on historical.

DIVIDENDS PAYABLE

Assumes projected dividends payable, increasing the first, second and third month of each quarter.

OTHER LIABILITIES

Based on historical trend.

EQUITY

REGULAR SAVINGS

Projections are for an increase of \$1,000,000 throughout the year.

CHECKING

Projections are for an increase of \$3,000,000 throughout the year.

MONEY MARKET

Projections are for an increase of \$2,500,000 throughout the year.

IRA SAVINGS

Projections are for no change throughout the year.

IRA CERTIFICATES

Projections are for no change throughout the year.

CERTIFICATES

Projections are for no change throughout the year.

REGULAR RESERVE

No additional contributions projected.

EQUITY ACQUIRED IN MERGER

No additional contributions or charges projected.

UNDIVIDED EARNINGS - NET INCOME

Monthly earnings the first and second month of each quarter with net income closed to undivided earnings the third month of each quarter.



DID YOU KNOW?

There are 63 credit unions headquartered in Oregon.

QUESTIONS?

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