



positioning for success



A MESSAGE TO OUR MEMBERS

POSITIONING FOR SUCCESS

2010 Annual Report

Turning points, they're usually only visible in the rear view mirror. But with proper preparation, a turning point can not only be anticipated, it can be expected. It does require one critical element to set the stage for its occurrence – positioning for success. By aligning savings, expenditures and investments with goals and objectives, the probability for success dramatically increases, transforming plans into turning points.

We are pleased to report that Unitus continues to create value for our members and to position them for success while maneuvering through one of the worst recessions our country has seen. During 2010, Unitus continued to provide progressive tools and resources to our members to assist them in managing their personal and business finances. When our members faced challenges at other financial institutions, whether it was due to reduction or loss of lines of credit for their business or a significant increase in fees, we provided the local solutions they needed to position for success.

Combining Stability and Growth

In a year where many financial institutions struggled, Unitus grew our membership and deposit base in a safe and sound manner. Our back to the basics approach positioned us to focus on our core strengths and by making adjustments to our overall operations, we experienced a successful 2010. In particular, we welcomed more of your family, friends and neighbors into the Unitus family, growing membership by 6.2%.

Back to the Basics

In 2010, we continued to strengthen our overall risk management processes while also helping good people find solutions to their financial challenges; many facing credit problems for the first time. By significantly expanding our small business loan program, we assisted small business owners/members with their business needs, allowing them to not only survive this recession, but to thrive while creating new jobs for others in our community as well. As a result, our new small business members not only brought their business checking, but also consistently brought their personal checking and savings to Unitus as well.

During this past year, we also noticed existing members adding more products and services to their accounts; a result of comparing value received from Unitus with their previous providers. In particular, we saw checking account balances grow by 12.4% and our members now average using approximately 3 products per member. In addition, we provided mortgage loans to 638 members.

To best serve our members, we decided to relocate two branches this past year; our University District branch and our Mall 205 branch. The University District branch staff will relocate to our new Peterkort location in March 2011. Our Mall 205 branch will relocate to its new location in August 2011, less than 1 mile from its current location and doubling its current size. With the relocations, members will experience additional services and improved service times. While volumes at our University District branch have continued

to significantly decline since the move of our headquarters five years ago to our Unitus Plaza location, members who continued to use the University branch have already begun to visit our Unitus Plaza branch just less than 1 mile apart from each other.

Improved Access and Convenience

In 2010, Unitus continued its quest to re-define convenience for our members to ensure members have quick and easy access to their accounts. No longer do members need to be near a branch or at their computer to manage their accounts directly. Our mobile banking platform makes it easy to access an account with uText, a Mobile Browser or an iPhone app. Apple iPhone users love our new ATM finder application which locates the nearest ATM to their location - whether it's a Unitus branch, a 7-11 in our nationwide network or one of over 4,300 credit union shared branches located across the country. Getting cash when it's needed is now easier than ever.

New Products and Services

Helping our members better manage their money is a primary objective of Positioning for Success. With the launch of our online tool Total Finance, it's easy to understand where your money goes, create budgets, and evaluate success against those budgets. Another important aspect to achieving overall financial health is receiving the advice of a professional. Our Financial Health Check-up provides you access to a financial coach. Your financial coach reviews your current situation and provides advice for achieving your financial goals. In addition, for those seeking advice about investments or retirement, our Member Financial Services representative is available. This valued member service generated an impressive 41% increase in assets under management during 2010.

The decision making process is often a mystery to loan applicants. A major factor in that decision is evaluating your loan risk using your credit score. Since most of us don't know our credit score (FICO), we felt, particularly in today's challenged times, this type of knowledge would benefit our members. So we created another unique offering; we added a wonderful benefit to our checking accounts with eStatements allowing you to track your credit score on a monthly basis (based on your loan relationship with us). Knowing your score is the first step to improving it.

We continuously strive to receive feedback from our members to ensure we are providing the products and services most desired by the membership. Last year we launched two new ways you can provide feedback to us. Members Matter is a formal online feedback system that allows you to provide input. Our staff can hear directly from you on any topic you wish. In addition, our new transaction survey is emailed to members after a transaction inviting them to provide an evaluation on the service they just received. Members wanting a response will receive one within one business day. In addition, relationship surveys are sent to a random sample of members, some of whom have had a recent interaction with their credit union while others may not have had interaction with Unitus for weeks or months. Both surveys, along with

Members Matter allow us to receive timely feedback from our members and to respond accordingly.

Community Involvement

Doernbecher Children's Hospital, Schoolhouse Supplies and Adopt a Class benefited from the volunteer hours our employees contributed during 2010. Giving to our community through volunteerism and selective donations makes a significant difference in the lives of children, their

Unitus Community Credit Union Board of Directors

Don Mason
Chairperson

Tom Faulkner
Vice Chairperson

Susan Iggulden
Secretary

Barbara Leonard
Director

Terry Gavin
Director

Pete Reinecker
Director

Matt Goodwin
Director

parents and our community at large. Unitus was privileged to be presented with the Portland Business Journal's 2010 Corporate Philanthropy Award. This award is a tribute to all of our members and employees for making a difference in 2010.

Our involvement in our local community, from supporting our members with the right loan products to demonstrating leadership in business, is a vital part of what makes Unitus special. The recognition we received is a welcome confirmation that our efforts are indeed making a difference for our members and the communities we serve:

- Dean's List by Credit Card Connection for the consumer friendly Unitus Credit Card Program
- CEO recognized with Orchid Award-Top 25 Women in Business Award by Portland Business Journal
- Top Community Lender by Portland Business Journal
- Top 25 Commercial Lender in the Metro Area by Portland Business Journal
- Top 20 Mortgage Lender by Vancouver Business Journal

Moving Ahead in 2011

As the economy is slowly recovering, our membership can take important steps to building their financial future by turning good financial principles into accessible practices. With Total Finance and our Financial Health Check-up, we'll see our participating members reaping the rewards of budgeting and tracking in 2011. Our branch relocations for Mall 205 and Peterkort will be completed, bringing better access and improved convenience to branch members. You'll also experience improved usability of our web site, making it easier to find the information you rely on.

In spite of new financial regulations impacting our costs, unlike many financial institutions we're maintaining our

Rewards Checking program with our full complement of awards. Our simple, straightforward program will continue bringing real value to our members through innovative awards that make checking with Unitus even better. In addition, while loan modification programs made national news last year (70% failure rate nationally and frustrated consumers with legitimate financial hardships found it difficult to negotiate new terms), Unitus has experienced a modification success rate of over 80% since the start of the economic downturn.

More importantly, whenever possible, we have helped struggling borrowers stay in their homes, to keep their cars, and to start the rebuilding process.

Your membership and the membership of your friends, family and neighbors power the services and products that allow Unitus to serve our membership and the outreach we provide our local communities. We invite you to continue to share the gift of membership with all of your friends, family, and neighbors by inviting them to join Unitus. In addition, as you need future financial services, check the value offered at Unitus first and minimize your time spent in finding true financial value. We thank you, and in some cases, multi generations of your family members for allowing us to provide your financial services' solutions. We appreciate the opportunity to serve you.



Don Mason
Chairperson



Patricia E. Smith
President/CEO

Don Mason, Chairperson

Patricia E. Smith, President/CEO



TREASURER'S REPORT

2010 marks the third consecutive year of slow economic growth for our country. Unemployment rates continue to remain at historically high levels and government deficits keep increasing. These economic times have put pressure on many banks and financial institutions, some have even failed. Despite these challenging times, Unitus Community Credit Union has maintained its financial strength and dedication to serving the community and our members.

Many banks and financial institutions continued to tighten their lending in 2010 both to consumers and small business. Credit card rates and fees also increased for many of these institutions. Unlike the competition, we continued to lend. In 2010 Unitus originated \$333 million in loans of which \$134 million were mortgage loans, another \$8.8 million were business loans and credit cards increased by 13%.

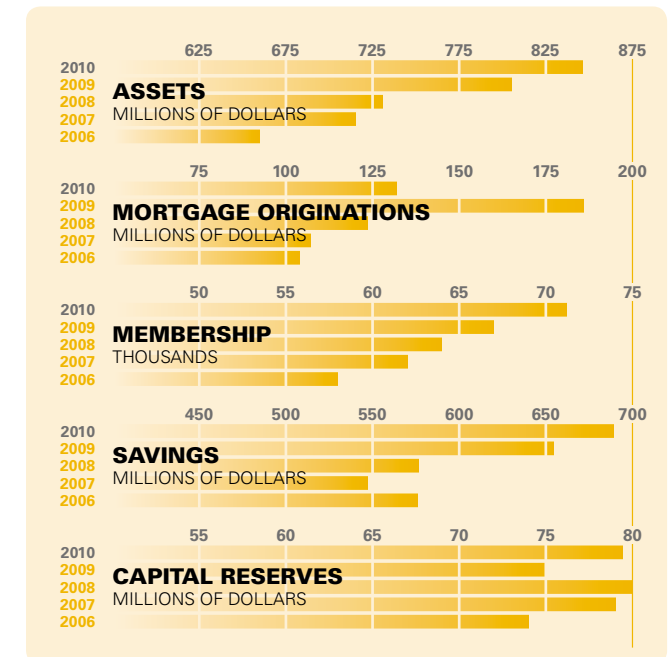
In addition to meeting our members lending needs, we also provided sound guidance on investments and retirement planning through our trusted financial partner,

Member Financial Services. As a result, assets under management increased by over 41%.

Unitus remains financially strong and well positioned to grow even during these difficult times. Total assets at the end of 2010 increased 3.9% while our membership grew a very healthy 6.2%. Our net worth to assets ratio continues to remain strong at 9.45%, Unitus is considered a well capitalized financial institution and remains in the top 200 credit unions in the nation. We also remain among the top financial providers in the state of Oregon and Washington.



Patricia E. Smith
Treasurer





REPORT OF THE AUDIT COMMITTEE

The Audit Committee is made up of four volunteer members appointed by the Board of Directors whose primary responsibilities are to retain services for an annual report on the financial condition of the credit union, coordinate the verification of member accounts, and monitor the review of internal controls, compliance with laws and regulations, and code of conduct activities.

In 2010 long-time Unitus and Audit Committee member, Don Foreman, passed away. Don served the Credit Union with pride for 34 years. His accomplishments and volunteerism far exceeded his Audit Committee duties. Don will be remembered for his unwavering dedication to his beloved Credit Union.

As part of fulfilling its duties, the committee engaged the independent accounting firm Moss Adams LLP to



Rhonda Cramer
Chairperson

Dan Duffy
Ray Anderson
Luke Watson

conduct the financial audit, manage the process to verify member accounts, and provide an opinion of the financial statements as a whole. Summarized financial statements prepared by management have been included in this annual report. In preparing the financial statements, management depends upon the credit union's system of internal controls in meeting its responsibility for reliable information. The Committee relies on internal audit to review, measure, and report on the internal control environment and regulatory compliance activities of business processes.

It is the opinion of the Audit Committee that Unitus Community Credit Union's financial operations and system of internal controls is sound based on reports and information received. I'd like to thank the Audit Committee members for their commitment, energy, and enduring effort throughout 2010.

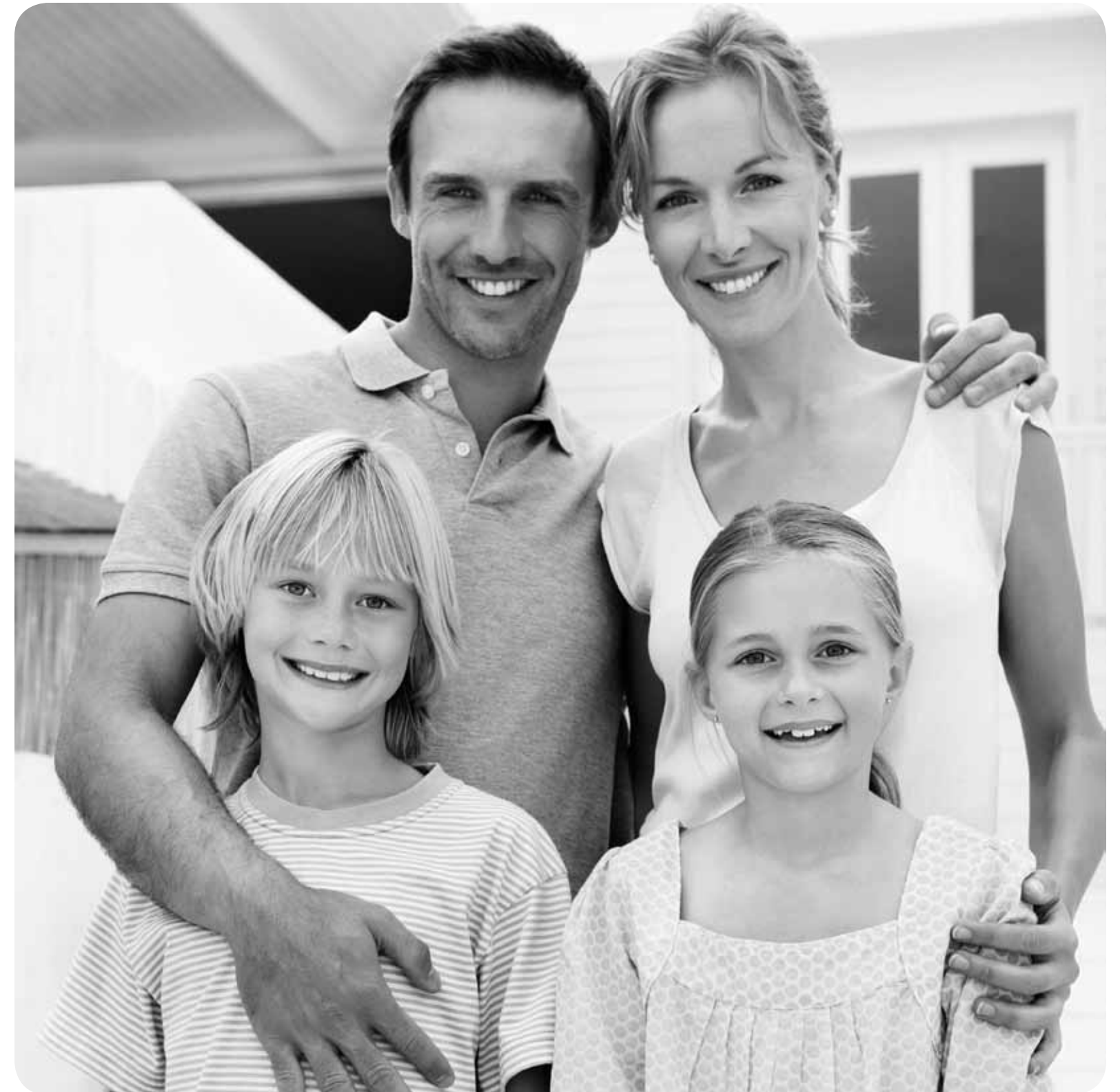
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Audit Committee
Unitus Community Credit Union
Portland, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated statements of financial condition of Unitus Community Credit Union and Subsidiary as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in members' equity and comprehensive income (loss), and cash flows (not presented herein) for the

years then ended; and in our report dated February 28, 2011, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which they have been derived.

Moss Adams LLP
Portland, Oregon
February 28, 2011





CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

ASSETS	December 31,	
	2010	2009
Cash and cash equivalents	\$ 69,807,526	\$ 40,765,286
Interest bearing deposits	—	2,000,000
Investment securities available for sale	226,171,238	151,632,508
Investment securities held to maturity	14,669	50,545,371
Restricted equity securities	3,453,000	3,979,660
Loans receivable, net	510,806,440	529,847,743
Accrued interest receivable	2,755,401	2,927,441
Property and equipment, net	11,140,447	11,282,709
National Credit Union Share Insurance Fund deposit	6,533,526	6,222,465
Other assets	5,975,028	5,543,677
Total assets	\$ 836,657,275	\$ 804,746,860
LIABILITIES		
Members' share and savings accounts	\$ 691,093,877	\$ 655,001,347
Borrowed funds	65,012,643	82,515,310
Accrued expenses and other liabilities	9,964,193	8,417,886
Total liabilities	766,070,713	745,934,543
CONTROLLING INTEREST IN MEMBERS' EQUITY		
Regular reserves	23,423,471	23,423,471
Undivided earnings	55,634,282	52,308,718
Accumulated comprehensive loss	(7,976,379)	(16,418,606)
NONCONTROLLING INTEREST IN SUBSIDIARY	(494,812)	(501,266)
Total members' equity	70,586,562	58,812,317
Total liabilities and members' equity	\$ 836,657,275	\$ 804,746,860



CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,	
	2010	2009
Interest income		
Loans receivable	\$ 27,937,381	\$ 31,790,800
Investment securities and cash equivalents	9,628,820	10,389,315
Total interest income	37,566,201	42,180,115
Interest expense		
Dividends and interest on members' share accounts	9,408,859	13,038,255
Borrowed funds	3,016,176	3,398,229
Total interest expense	12,425,035	16,436,484
Net interest income	25,141,166	25,743,631
Provision for loan losses	4,908,811	8,472,002
Net interest income after provision for loan losses	20,232,355	17,271,629
Non-interest income		
Service charges and fees	7,808,769	6,850,635
Mortgage banking and loan servicing income	4,597,076	4,267,963
Gain (loss) on investment securities, net	—	—
Gain on sale of investment securities, net	4,467,233	—
Total other-than-temporary impairment losses	(742,651)	(14,077,211)
Portion of other-than-temporary impairment losses recognized in other comprehensive income	(1,305,754)	12,133,799
Total gain (loss) on investment securities, net	2,418,828	(1,943,412)
Total other non-interest income	156,663	137,106
Total non-interest income	14,981,336	9,312,292
Non-interest expense		
Compensation and benefits	14,865,097	13,324,048
General and administrative	15,306,926	16,605,552
National Credit Union Administration Assessments	1,686,938	933,370
Total non-interest expense	31,858,961	30,862,970
Net income (loss)	3,354,730	(4,279,049)
Noncontrolling interest in net income (loss) of subsidiary	29,166	(204,494)
Controlling interest in net income (loss)	\$ 3,325,564	\$ (4,074,555)



CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

	Controlling Interest in Members' Equity					Total Comprehensive Income (Loss)
	Total Members' Equity	Regular Reserves	Undivided Earnings	Accumulated Comprehensive Loss	Noncontrolling Interest in Subsidiary	
Balance at December 31, 2008	\$ 61,935,232	\$ 23,423,471	\$ 56,383,273	\$ (17,574,740)	\$ (296,772)	
Net loss	(4,279,049)	—	(4,074,555)	—	(204,494)	\$ (4,279,049)
Unrealized gains on securities available for sale	3,099,546	—	—	3,099,546	—	3,099,546
Reclassification for other-than-temporary impairment losses realized in net loss	(1,943,412)	—	—	(1,943,412)	—	(1,943,412)
Comprehensive loss						\$ (3,122,915)
Balance at December 31, 2009	58,812,317	23,423,471	52,308,718	(16,418,606)	(501,266)	
Net income	3,354,730	—	3,325,564	—	29,166	3,354,730
Distribution to noncontrolling interest in subsidiary	(22,712)	—	—	—	(22,712)	(22,712)
Unrealized gains on transfer of held to maturity securities to available for sale	2,804,711	—	—	2,804,711	—	2,804,711
Unrealized gains on securities available for sale	3,218,688	—	—	3,218,688	—	3,218,688
Reclassification adjustment for realized gains on securities available for sale	4,467,233	—	—	4,467,233	—	4,467,233
Reclassification adjustment for other-than-temporary impairment losses realized in net income	(2,048,405)	—	—	(2,048,405)	—	(2,048,405)
Comprehensive income	—	—	—	—	—	\$ 11,774,245
Balance at December 31, 2010	\$ 70,586,562	\$ 23,423,471	\$ 55,634,282	\$ (7,976,379)	\$ (494,812)	





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