



2015 Annual Report

Members coming together to invest in our community

through teaching, learning, and creativity to ensure
our future generations are **here for good.**



2015 milestones

18

Branch locations

Including our newest, the Crossroads Branch in Coeur d'Alene.

81

Years

That was a long wait for the launch of STCU Investment Services (provided through CUSO Financial Services, L.P.).*

Now, the same credit union that has always helped members save and borrow wisely, can also help with long-term investment planning.

7,700

Students

The Northwest Credit Union Association honored STCU with the Desjardins Youth Financial Education award.

STCU gave more than 200 presentations where student groups learned the basics of money management.

311

Tons

The documents collected at STCU's spring and fall Shred Days weighed more than two Boeing 707 airplanes loaded with passengers.

10,000

Rewards cards

The STCU Rewards World MasterCard and STCU Premier Rewards World MasterCard are a big hit!

147,769

Members

We try to treat each of them as though they were the only one!

1,000,000

Dollars in emergency loans

STCU quickly offered low-cost "get-it-fixed" loans after a November windstorm damaged houses and cars, and left more than 200,000 people without power for up to 10 days. More than 200 members were helped, with loans for food replacement, home repairs, generators, and other storm-related expenses.

* Non-deposit investment products and services are offered through CUSO Financial Services, L.P. (CFS), a registered broker-dealer (member FINRA/SIPC) and SEC Registered Investment Advisor. Products offered through CFS are not NCUA/NCUSIF or otherwise federally insured, are not guarantees or obligations of the credit union, and may involve investment risk including possible loss of principal. Investment Representatives are registered through CFS. STCU has contracted with CFS to make non-deposit investment products and services available to credit union members.

Statements of financial condition

Assets	Dec 31, 2015	Dec 31, 2014
Cash and cash equivalents	\$74,444,496	\$39,745,634
Deposits in other financial institutions	500,000	500,000
Investments – available-for-sale, at fair value	145,305,514	180,761,436
Investments – paid in capital in other financial institutions	750,000	750,000
Loans, net	1,899,576,661	1,705,468,755
Accrued interest receivable	5,629,551	5,266,759
Employee benefit plan assets	8,282,208	7,942,497
Property and equipment, net	52,665,426	48,920,101
FHLB stock	8,599,600	8,260,900
NCUSIF deposit	16,439,151	15,164,620
Foreclosed and repossessed assets	122,850	1,098,637
Other assets	5,645,965	4,829,234
Total assets	\$2,217,961,422	\$2,018,708,573

Liabilities and members' equity	Dec 31, 2015	Dec 31, 2014
Liabilities		
Members' shares	\$1,801,746,228	\$1,611,724,183
Borrowed funds	152,785,309	171,269,265
Accrued expenses and other liabilities	20,268,099	15,749,429
Total liabilities	\$1,974,799,636	\$1,798,742,877
Members' equity		
Regular reserves	\$13,417,250	\$13,417,250
Undivided earnings	231,230,416	207,833,191
Accumulated other comprehensive loss	(1,485,880)	(1,284,745)
Total members' equity	\$243,161,786	\$219,965,696
Total liabilities and members' equity	\$2,217,961,422	\$2,018,708,573

Statements of income

Interest income	Dec 31, 2015	Dec 31, 2014
Loans	\$78,521,983	\$73,076,278
Investments and interest-bearing deposits	3,158,818	3,587,888
Total interest income	\$81,680,801	\$76,664,166
Interest expense	Dec 31, 2015	Dec 31, 2014
Members' shares	\$9,682,567	\$8,685,395
Interest on borrowed funds	2,646,412	2,482,458
Total interest expense	\$12,328,979	\$11,167,853
Net interest income	\$69,351,822	\$65,496,313
Provision for loan losses	3,182,478	6,530,080
Net interest income after provision for loan losses	\$66,169,344	\$58,966,233

Non-interest income	Dec 31, 2015	Dec 31, 2014
Service charges and fees	\$17,951,393	\$16,489,449
Loan servicing and origination fees	1,752,002	1,333,793
Rental income	508,023	421,238
Net gain on sale of assets and investments	213,596	266,191
Net change in employee benefits plan assets carried at fair value	(220,133)	202,941
Net adjustment in mortgage servicing rights carried at fair value	(216,841)	(340,288)
Other non-interest income	470,201	500,497
Total non-interest income	\$20,458,241	\$18,873,821
Non-interest expense	Dec 31, 2015	Dec 31, 2014
Employee compensation and benefits	\$38,331,523	\$35,599,810
Processing charges	8,156,933	7,639,313
Office operations and other expense	7,467,178	6,582,614
Office occupancy	3,993,909	3,693,411
Computer operations	2,988,072	3,079,128
Advertising and marketing	2,292,745	2,222,511
Total non-interest expense	\$63,230,360	\$58,816,787
Net income	\$23,397,225	\$19,023,267

Analysis of the financial position

STCU's continued growth in 2015 was fueled in part by the opening of our 18th branch location in Coeur d'Alene, Idaho, the launch of rewards credit cards that earn points on every purchase, and strong demand for consumer loans.

Our financial strength put us in a good position to provide critical help when the community was hit by a devastating windstorm in November. More than 200 members turned to their credit union for low-cost emergency loans to help recover from the damage. For those reasons and more, we were voted the region's favorite credit union for the 10th consecutive year by readers of the *Inlander* newspaper. In all we do, STCU strives to be "here for good."

Membership

STCU ended the year with more than 147,000 members, a 10% increase from the prior year. That can be attributed to our continued commitment to the community and keeping the heart of the member as our top priority.

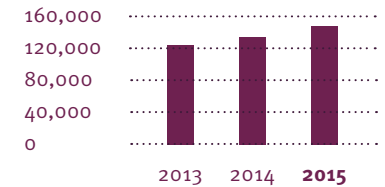
Loans

STCU's loan portfolio grew 11% in 2015. Net loans grew \$190 million, maintaining steady growth from the previous year. The auto and RV loan portfolio was responsible for more than 56% of net loan growth. Our competitive rates and expanded indirect dealer relationships helped drive this growth. In addition, STCU continued to offer 1% cash back on loans transferred from other financial institutions, with \$264,000 paid back to members. STCU's commercial portfolio increased 17% in 2015. The strong growth in loan volume is a reflection of a recovering economy. Loan charge-offs continue to improve, decreasing from 0.33% in 2014 to 0.27% in 2015. Loan delinquencies also decreased, from 0.39% in 2014 to 0.37% in 2015.

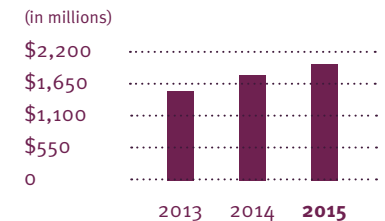
Membership shares

Member shares grew nearly 12% in 2015. There was significant growth in such products as standard checking, money market and First5 Savings accounts. The commercial deposit portfolio grew almost 30% as STCU focused on deepening relationships with business members.

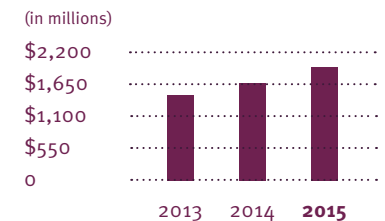
Membership



Loans



Member shares



Net income

STCU generated nearly \$23.4 million in net income in 2015. That's a 23% increase from the \$19.0 million in net income reported in 2014. While loan rates remained low, strong growth in loan volume grew interest income by \$5 million over 2014. There was a \$1 million increase on interest expense, due to growth in balances and maintaining competitive market rates. Net interest income grew by nearly \$4 million over 2014, strengthening STCU's ability to provide new technologies, desirable products and services, and generous rates. The provision for loan losses decreased \$3 million from the previous year, reflecting the improved economy. Net charge-offs continue to improve year over year when compared to loan volume. An increase in provision is expected as loan volume grows.

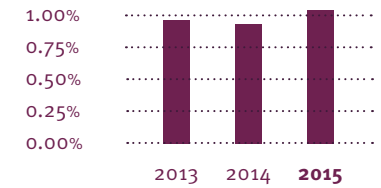
The historic Hutton Building and garage was a continued focus in 2015, with STCU selling the building's sixth floor, and renting out the third floor. Construction was completed on the Crossroads Branch in Coeur d'Alene, which opened in early 2015. STCU invested more than \$1 million on business intelligence in 2015, as part of the credit union's commitment to technology and to anticipating member needs. This technology will be further refined in 2016.

Return on assets increased from 0.94% in 2014 to 1.05% in 2015. A primary factor was the credit union's ability to generate significant loan volume while decreasing the provision for loan losses as delinquencies and charge-offs improved. Operating expenses as a percent of total assets improved from 2.91% to 2.85%.

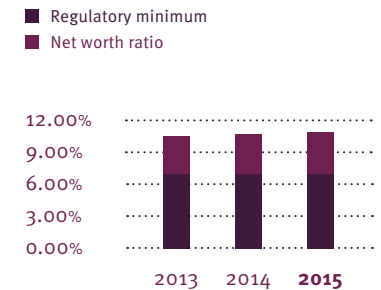
Capital

On December 31, 2015, STCU's net worth ratio was 11.03%. The regulatory minimum net worth ratio is 7% to be considered a "well capitalized" credit union. STCU manages its net worth ratio by investing in new technologies, providing competitive financial products, and building new branches to best serve our members.

Return on assets



Net worth ratio



Featured (L to R) are STCU members Marty Mueller, Barb Mueller, Brooke Matson, Randy James, Lexie Dyson, and Mike Marzetta.



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