



## 2016 Annual Report



## A growing year.

**STCU finished 2016 with 12,277 new members and two new branches.**

The Qualchan Branch opened in August in Spokane's Latah Valley, with a bright, airy interior to reflect its surroundings. This new branch boasts STCU's first freestanding drive-through.

The Downtown Coeur d'Alene Branch opened in December across from McEuen Park. Our fifth North Idaho branch location makes its home in the heart of a vibrant business district.

STCU completed a vast conversion to Mastercard credit and debit cards. In the end, we replaced more than 42,000 credit cards and 108,000 debit cards with our new microchip-enabled cards — helping to keep members' private data more secure.

To serve members' long-term financial planning needs, we launched STCU Investment Services, available through CUSO Financial Services, L.P.\*

---

\* Investment products and services are offered through CUSO Financial Services, L.P. (Member FINRA/SIPC) **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.**

---

# 160,045

### Members

Inland Northwest residents were drawn to STCU's commitment to our members' financial well-being.

---

# 20

### Branch locations

Our branch employees serve members throughout Eastern Washington and North Idaho.

---

# 108,000

### Debit cards

STCU's conversion to Mastercard debit cards put microchip technology in members' hands.

# Statements of financial condition

Assets	Dec 31, 2016	Dec 31, 2015
Cash and cash equivalents	\$102,517,650	\$74,444,496
Deposits in other financial institutions	250,000	500,000
Investments – available-for-sale, at fair value	128,689,040	145,305,516
Investments – paid in capital in other financial institutions	750,000	750,000
Loans, net	2,147,337,788	1,899,576,661
Accrued interest receivable	6,382,287	5,629,551
Employee benefit plan assets	9,023,452	8,282,208
Property and equipment, net	57,910,199	52,665,426
FHLB stock	10,838,300	8,599,600
NCUSIF deposit	17,960,609	16,439,151
Foreclosed and repossessed assets	113,111	122,850
Other assets	6,609,541	5,645,965
<b>Total assets</b>	<b>\$2,488,381,977</b>	<b>\$2,217,961,422</b>

Liabilities and members' equity	Dec 31, 2016	Dec 31, 2015
<b>Liabilities</b>		
Members' shares	\$1,994,814,678	\$1,796,822,114
Borrowed funds	203,133,075	152,785,309
Accrued expenses and other liabilities	25,561,704	25,192,213
<b>Total liabilities</b>	<b>\$2,223,509,457</b>	<b>\$1,974,799,636</b>
<b>Members' equity</b>		
Regular reserves	\$13,417,250	\$13,417,250
Undivided earnings	253,177,024	231,230,416
Accumulated other comprehensive loss	(1,721,754)	(1,485,880)
<b>Total members' equity</b>	<b>\$264,872,520</b>	<b>\$243,161,786</b>
<b>Total liabilities and members' equity</b>	<b>\$2,488,381,977</b>	<b>\$2,217,961,422</b>

# Statements of income

Interest income	Dec 31, 2016	Dec 31, 2015
Loans	\$87,252,720	\$78,521,983
Investments and interest-bearing deposits	2,905,092	3,158,818
<b>Total interest income</b>	<b>\$90,157,812</b>	<b>\$81,680,801</b>
Interest expense	Dec 31, 2016	Dec 31, 2015
Members' shares	\$10,635,826	\$9,682,567
Interest on borrowed funds	3,013,816	2,646,412
<b>Total interest expense</b>	<b>\$13,649,642</b>	<b>\$12,328,979</b>
<b>Net interest income</b>	<b>\$76,508,170</b>	<b>\$69,351,822</b>
Provision for loan losses	8,653,111	3,182,478
<b>Net interest income after provision for loan losses</b>	<b>\$67,855,059</b>	<b>\$66,169,344</b>

Non-interest income	Dec 31, 2016	Dec 31, 2015
Service charges and fees	\$20,743,293	\$17,951,393
Loan servicing and origination fees	2,124,406	1,752,002
Rental income	451,335	508,023
Net gain on sale of assets and investments	435,606	213,596
Net change in employee benefits plan assets carried at fair value	445,692	(220,133)
Net adjustment in mortgage servicing rights carried at fair value	6,311	(216,841)
Other non-interest income	657,808	470,201
<b>Total non-interest income</b>	<b>\$24,864,451</b>	<b>\$20,458,241</b>
Non-interest expense	Dec 31, 2016	Dec 31, 2015
Employee compensation and benefits	\$41,710,142	\$38,331,523
Processing charges	10,224,591	8,156,933
Office operations and other expense	8,191,284	7,467,178
Office occupancy	4,329,207	3,993,909
Computer operations	3,733,671	2,988,072
Advertising and marketing	2,584,007	2,292,745
<b>Total non-interest expense</b>	<b>\$70,772,902</b>	<b>\$63,230,360</b>
<b>Net income</b>	<b>\$21,946,608</b>	<b>\$23,397,225</b>

# Analysis of the financial position

**Once again in 2016, STCU was voted the region's favorite credit union by readers of the Inlander newspaper, a run of 12 straight years.**

Other major milestones for STCU in 2016 included the opening of new branches in Spokane's Latah Valley and downtown Coeur d'Alene, giving credit union members access to 20 branch locations, with five in Idaho. We completed our conversion to Mastercard credit chip technology, including rewards cards that let members earn points on every purchase. In addition, all STCU debit cards were converted to Mastercard, also with chip technology. STCU Investment Services, available through CUSO Financial Services, L.P., was launched in 2016, and ended the year with 452 accounts and \$38.4 million in assets.

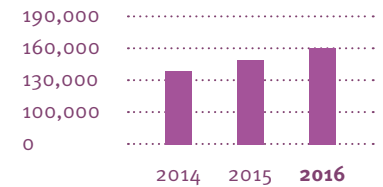
## MEMBERSHIP

STCU ended the year with more than 160,000 members, representing an 8% 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.

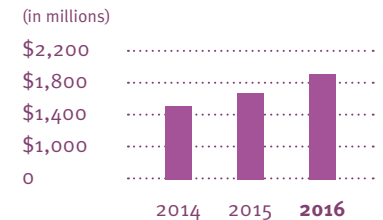
## LOANS

STCU's loan portfolio grew 13% in 2016. Net loans grew over \$248 million, maintaining steady growth from the previous year. The auto and RV loan portfolio was responsible for almost 70% of net loan growth. Our competitive rates, services, and processes helped drive this growth. In addition, STCU continued to offer 1% cash back on loans transferred from other financial institutions, with \$194,000 paid back to members. STCU's commercial portfolio increased 19% in 2016. Loan charge-offs increased slightly from 0.27% in 2015 to 0.28% in 2016 well under industry averages. Loan delinquencies experienced an increase, from 0.37% in 2015 to 0.43% in 2016.

## Membership



## Loans



## MEMBERSHIP SHARES

Member shares grew nearly 11% in 2016. There was significant growth in such products as standard checking, money markets accounts, and First5 Savings Accounts. The commercial deposit portfolio grew 19% as STCU focused on deepening relationships with business members.

## NET INCOME

STCU generated over \$21.9 million in net income in 2016, a slight decrease of \$1.5 million from 2015. While loan rates remained low, strong growth in loan volume grew interest income by \$8 million over 2015. There was a \$1 million increase on interest expense, due to growth in balances and maintaining competitive market rates. Net interest income grew by \$7 million over 2015, strengthening STCU's ability to provide new technologies, desirable products and services, and strong rates. The provision for loan losses increased by over \$5 million from the previous year, a reflection of the large increase to net loans.

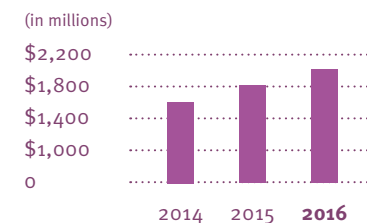
Construction was completed on the Qualchan Branch in Spokane and the Downtown Coeur d'Alene Branch, both of which opened in 2016. STCU also continued work on revitalizing the historic Hutton Building and garage.

Return on assets decreased from 1.05% in 2015 to 0.88% in 2016. This is mostly due to generating significant loan volume while keeping loan rates low. Operating expenses as a percent of total assets fell from 2.85% to 2.84%, reflecting improved efficiencies.

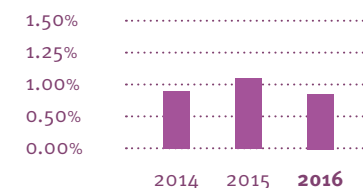
## CAPITAL

On December 31, 2016, STCU's net worth ratio was 10.71%. The regulatory minimum net worth ratio is 7% to be considered a "well capitalized" credit union. STCU manages this ratio by investing in new technologies, providing competitive financial products, and building new branches to best serve our members.

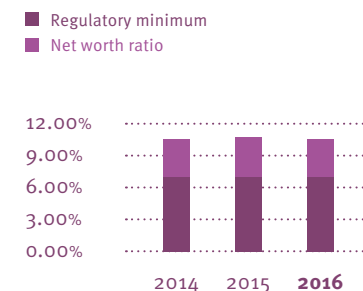
## Member shares



## Return on assets



## Net worth ratio



---

STCU Qualchan Branch



**2016** Annual Report

(509) 326.1954 | (208) 619.4000  
(800) 858.3750 | [stcu.org](http://stcu.org)

