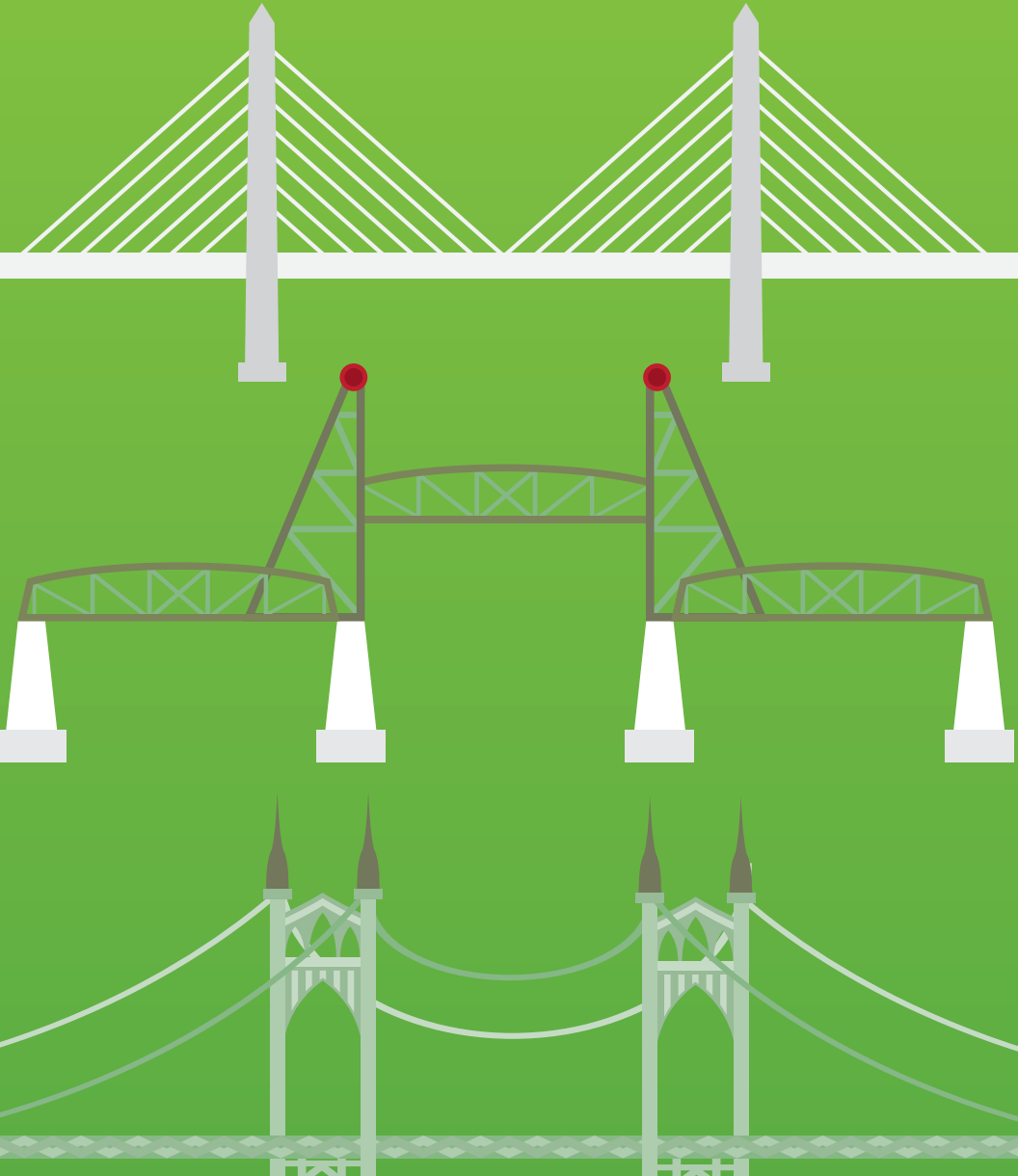




2017 ANNUAL REPORT



Management Report

We have just concluded about 8 years of 1 year rates paying less than 1% and shorter-term rates 'near zero'. In January 2008 a 1 year CD paid over 3.5% and then rates began to drop. One year later the same CD paid about one half that rate and a year later it was halved again.

The low rate environment has been a major factor in credit union operations. For the FY 2008 OCU earned over \$11.3 million on the average loans and investments on our books of \$202 million. For 2017 the income from these assets was \$8.1 million, or \$3.2 million less yet the total of these earning assets was \$46 million greater than during 2008! This is the major factor in our decline in earnings the past few years as higher rate loans and investments have matured and replaced by lower rate assets. But this era is slowly coming to an end. The Federal Reserve increased short-term rates three time during 2018 so the Prime Rate is now 4.50% up from 3.75% at the start of the year. The Fed has signaled that it will increase short-term rates 3 or possibly 4 time during 2018.

These anticipated rate increases will have a positive effect on OCU and OCU members. As rates rise we will earn more on our investments since most have adjustable rates and be able to charge higher rates on auto loans to better match the risks of this market. We will also be able to increase savings rates for our members. Watch for CD rate to increases ahead of regular savings and checking accounts.

A major goal for 2017 was to grow loans outstanding both by increasing our auto loan business and purchasing some participation loans from other credit unions to help diversify risk. We achieved that goal as loans grew almost \$17 million. The largest growth was from home equity loans, HELOCs and auto loans. We did purchase some loans but that net growth was only 10% of our total loan growth.

We again experienced moderate market growth as assets increased by over \$4.2 mil and shares increased by \$3.5 mil. Membership showed a slight increase as we continue to serve about 21,000 members.

OCU remains a well-capitalized credit union with reserves amounting to almost 12.5% of assets, which is about 1.5% above peers. Expenses are on the upswing as there is upward wage and employee benefit pressure as well as IT costs rising faster than inflation due to extraordinary security needs and equipment upgrades. Loan delinquency and charge-offs were higher than recent years but that was expected due to the growth of auto loans in a very competitive market. Despite these increases both ratios are below industry averages and we expect some improvement in the coming year.

We again report that 2017 was another successful year for OCU and its membership.

Financial Highlights

ASSETS:	12/2016	12/2017
Net Loans	\$132,281,974	\$149,198,950
Investments	\$147,860,723	\$136,004,560
Cash & Equivalents	\$13,195,850	\$12,523,914
Allowance for Loan Losses	(\$331,476)	(\$444,048)
Land, Buildings & Equipment	\$5,463,122	\$5,473,664
Other Assets	\$2,212,370	\$2,240,545
NCUA Share Insurance Deposit	\$2,632,208	\$2,679,553
Total Assets	\$303,314,771	\$307,677,137

LIABILITIES/SHARES/EQUITY:	12/2016	12/2017
Member Shares & Savings	\$264,216,843	\$267,729,880
Other Liabilities	\$1,157,396	\$1,416,529
Total Reserves & Retained Earnings	\$37,940,532	\$38,530,728
Total Liabilities / Shares / Equity	\$303,314,771	\$307,677,137

STATEMENT OF INCOME:	12/2016	12/2017
Interest Income	\$7,608,217	\$8,177,840
Non-Interest Income	\$1,992,584	\$1,925,655
Non-Operating Income	(\$55,973)	0
Total Income	\$9,544,828	\$10,103,495
Dividends on Member Accounts	\$504,900	\$443,963
Provision for Loan Losses	\$135,000	\$700,000
Operating Expenses	\$8,060,129	\$8,368,840
Net Income	\$844,799	\$590,692

KEY RATIOS / OTHER INFO:	12/2016	12/2017
Number of Members	20,858	20,963
Average Share Balance	\$12,667	\$13,200
Average Loan Balance	\$14,643	\$11,954
Delinquent Loan Percentage	0.27%	0.53%
Loan Charge Offs	0.23%	0.42%
Capital Ratio	12.50%	12.49%
Return on Average Assets	0.28%	0.19%

STATEMENT FROM THE SUPERVISORY COMMITTEE

A Supervisory Committee is the members' audit committee. Due to the complexity of a credit union and today's regulatory requirements, we contract with an outside CPA firm each year. For the annual Supervisory Audit we again retained the firm Daren B. Tanner, P.C. Their audit found no material deficiencies and confirmed that OCU Management consistently follows accounting internal controls and complies with state and federal rules and regulations.

A state chartered credit union OCU's size is examined each year by two regulators, the NCUA and the Oregon Division of Financial Regulation (DFR). Their examinations also found no major deficiencies in accounting practices or violations of rules, regulations or laws.

In addition to the regulator exams and a CPA audit we have an internal audit and compliance program. These processes are conducted by a staff member that is a certified compliance officer and assisted by an independent credit union auditor. They report their findings to our committee at least quarterly and our committee report to the Board quarterly.

I am again proud to say that OCU Management operates in a safe and sound manner and follows rules and regulations as well as best practices for our industry.

Brian Miller, Chairman

SUPERVISORY COMMITTEE

EXECUTIVE TEAM

Chuck Garner, CEO

Sam Launius, EVP

Jeff Schwarz, CFO

Maria Swanson, VP Risk Management

SUPERVISORY COMMITTEE

Brian Miller, Chairman

Mike Cline

Paul Dawson

Tracie Flannigan

Jim MacDonald

2017 BOARD OF DIRECTORS

John Vincent, Chairman

Jeff Coffman, Vice Chair

Alicia Anderson, Secretary/Treasurer

Jim McBride

Brian Miller

Don Rocheleau

Trish Rolin

