



NW
NORTHWEST
FEDERAL CREDIT UNION



19

ANNUAL
REPORT

2019

“Together, we serve and inspire
to transform lives.”

Together, we serve and inspire to transform lives



Together, we serve and inspire to transform lives

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Sandera Oliver
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Christine Perritt
Committee Member

Susan Wilson
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Robert Grieve
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Member

Report from the Chairman & President/CEO



Northwest Federal Credit Union opened its first location over 70 years ago. Eleven branches and growth to \$3.6 billion in assets later, the commitment we have to our members and the community remains a driving force in the decisions we make.



We are excited to report that 2019 was another successful year. We achieved several strategic initiatives, with each contributing to our ongoing development and continued financial stability. Membership growth was robust, welcoming 14,227

new individuals and businesses to the credit union. We continued our high level of individualized service, fielding 510,227 calls while maintaining wait times well ahead of industry benchmarks.

We drove considerable growth in deposits through a number of Certificate campaigns throughout the year. All told, the six campaigns drove over \$98.1 million in deposits. With competitive rates for our membership, these Certificates provided a safe investment vehicle while providing additional liquidity for Northwest to fund our loans portfolio. Our total lending in 2019 amounted to over \$1.2 billion through high quality lending instruments. This loan portfolio directly benefited our membership; funding homes, autos and creating the financial bridge for members to reach their goals.

We opened new branch locations, established lasting partnerships, and developed new programs that allowed us to better serve our members. Along with these positive changes, we kept our pledge to deepen relationships with members and their families.

Without you, we could not have accomplished the depth and breadth of success we have today.

STRATEGIC GROWTH

To better serve our members, we opened several new branches in 2019. Our Middleburg branch opened in May, marking our second location in Loudoun County. Middleburg is home to many individuals and entrepreneurs who will benefit from our personalized service.

In December 2019, we opened our Ballston branch, addressing the needs of our members in the Arlington area. Our dedication to improving our banking services led us to design the Ballston branch with tech-forward features that appeal to the younger, more mobile-savvy

audience in the region. Members now have improved access to their account details and advanced tech features to expand their overall experiences.

OUR MERGER WITH CONSTELLATION FEDERAL

In July 2019, Northwest Federal also completed a merger with Constellation Federal Credit Union, welcoming 8,000 new members. Chartered in 1944 to serve members of the Army Map Service Agency (later renamed the National Geospatial-Intelligence Agency), Constellation's history of serving our nation made the uniting of these two financial institutions a natural fit. It has allowed us to increase our footprint through membership growth and boost deposits in a remarkably cost-effective way.

COMMITMENT TO COMMUNITY

Northwest Federal believes in forming lasting relationships in the communities we serve. In 2019, we expanded a partnership to further elevate our promise to helping local neighborhoods prosper. Building on our years of leadership in financial education, we made a significant investment in the community by finalizing a long-term deal with the Children's Science Center, which will allow us to:

- Create new opportunities for generations to come
- Promote financial literacy through a designated lab
- Establish a prominent branch and supported brand relationship
- Recruit and service the growing population of tech-savvy youth

Credit union members will enjoy exclusive benefits, including reduced entry costs.

We also worked closely with the Town of Herndon to host the Herndon Festival on-premises when it was nearly canceled for lack of space. With our help, the community enjoyed the activities of the festival, and we further solidified our place as a reliable partner and leader in supporting areas we serve in Northern Virginia. We received numerous positive mentions in the press, proving the success of hosting the festival here at Northwest Federal.

In addition, Northwest Federal partnered with several area events as part of our initiative to strengthen our communities. We continued our sponsorship and race day support of the Cherry Blossom 10K, the Women's Veteran's Interactive 5K, the Step Sisters' Ribbon Run, and several other local race events. Our credit union supported the Special Olympics Plane Pull event. We were also the title sponsor of the Dulles Chamber's first annual Herndon Wintermarkt.

IMPROVED EFFICIENCY

Data is fundamental to what we do here at Northwest Federal. It provides a better understanding of how we can serve the needs of our members. It also fuels our ability to make cost-effective decisions to continue the long-term operation of the credit union. Our focus on data analytics is helping to drive strategic decisions, leading to improved performance and efficiencies throughout the entire organization. By relying on analytics, we're able to make smarter decisions to reduce operational costs and maximize the value our members receive.

THE FUTURE OF NORTHWEST FEDERAL

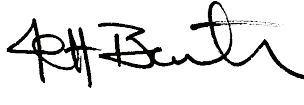
While the last couple of months have presented unprecedented challenges, we remain focused and are forging ahead on a number of strategic initiatives. We are listening to our members and implementing changes to continually improve the credit union experience. We recently kicked off a massive initiative to revamp our digital services to allow for expanded service capability and ease of access. The future of digital member services at Northwest Federal will bring with it better online banking, and a more intuitive mobile app to allow access to more features on the go.

Though we live in a changing world, one thing is constant: our commitment to you. Nowhere will you find a team more devoted to the financial health and prosperity of their members and to making our communities a better place. Thank you for your continued loyalty to Northwest Federal and for allowing us to serve your banking needs this past year and for many years to come.

We consider it a privilege to serve you.



Tom Conroy
Chairman



Jeff Bentley
President/CEO

2019 SNAPSHOT BY THE NUMBERS

~ ~ ~ ~

14,227

NEW MEMBERS

1:02

CALL WAIT TIME

(WELL BELOW INDUSTRY

AVERAGE OF 3:45*)

44%

INCREASE IN BRANCH LOCATIONS

*Based on research by [mybanktracker.com](https://www.mybanktracker.com)
<https://www.mybanktracker.com/news/bank-customer-service-hold-times-compared-at-top-banks>

Report from the Treasurer & Financial Management Committee



Northwest Federal Credit Union experienced continued success in 2019 as it continued to exceed Members' expectations through value-added financial relationships with a focus on loan growth and serving the communities in which we do business.

The credit union's assets grew to nearly \$3.6 billion and the loan portfolio surpassed \$2.9 billion in balances in 2019. Much of the growth can be attributed to the merger with Constellation Federal Credit Union in July 2019. The merger brought in 8,000 Members, \$100 million in loan balances, \$170 million in deposit balances, an additional branch location, as well as over \$20 million of equity to the credit union.

The credit union made a strategic decision to decrease our investment portfolio and to put our Members' deposit dollars to work in the form of loans. The credit union's loan to share ratio ended the year at 97%. Northwest Federal funded over \$1.2 billion in loans to Members in 2019 and grew the loan portfolio by \$154 million, or 5.6%. The lower rate environment in 2019 provided the credit union with an opportunity to fund nearly \$400 million in First Mortgage loans, helping our Members to save money and achieve their personal goals.

The credit union's asset quality remained strong, as evidenced by the net loan loss ratio of 0.60%. The credit union earned net income of \$22.7 million in 2019 which pushed the net worth ratio up to 11.14%. The strong net worth ratio allows the credit union to improve and expand service channels and provides a safety net for the credit union in the event of an economic downturn. The dynamic economic environment will continue to present challenges and opportunities for the credit union to provide convenient, value-added services to our Members.

The credit union continues to find new convenience channels to serve our 240,000 Members such as opening additional branch locations in Middleburg and Arlington in 2019. We look forward to the opening of our One Loudoun branch during Q2 of 2020 and we will continue to look for opportunities to expand our footprint in the region.

Looking ahead, the credit union is investing in technology and processes which will improve employee efficiency

and ultimately the Member Experience. We will continue to monitor changes in the regulatory environment which could impact our ability to serve our Members.

Northwest Federal has maintained our core values of Service, Integrity, and Excellence while we have grown. The focus on employee training gives our staff the tools and resources to create a better Member Experience. Northwest Federal employees volunteered over 9,200 hours in 2019 as the credit union has committed to make a positive difference in our Members' lives and in the communities we serve.

We are pleased to present this report to our members as evidence of NWFCU's strong financial strength and commitment to our members to provide convenient, safe, and sound financial services.

Thank you for choosing to be part of Northwest Federal Credit Union.

Chuck Molina

Treasurer, Board of Directors
Chairman, Financial Management Committee

NWFCU FOUNDATION SCHOLARSHIP PROGRAM

In 2019 the NWFCU Foundation awarded \$130,000 in scholarships to deserving students and an additional \$20,000 to Northern Virginia Community College for their Lifeline and Helping Hands programs.

The Foundation has awarded \$1,407,000 to 310 recipients from 22 states since its inception. This represents 102 colleges in the United States where students have attended due in part to the generosity of NWFCU Foundation donors.

Report from the Supervisory Committee



The Supervisory Committee would like to thank you, the Members, for your loyalty and continued support to Northwest Federal.

The Committee is here for your benefit. As such, the Supervisory Committee proudly serves the membership by providing an independent view of Northwest Federal's financial safety and soundness. The Committee's primary responsibilities are to:

- Monitor the financial health of the Credit Union;
- Assess the controls, policies, procedures and systems put in place by the Credit Union to mitigate financial, operational, and compliance risks; and,
- Investigate perceived violations of credit union rules and Northwest Federal policies or unethical behavior.

The Committee employs the independent accounting firm of Doeren Mayhew as a key partner in meeting its responsibilities. Furthermore, the Committee performs other ongoing duties on behalf the Members. For example, the Supervisory Committee:

- **Oversees Northwest Federal's Internal Audit (IA)** – Through direct lines of communication, the Committee oversees and meets regularly with the Vice President of IA to review the risk assessment and internal audit planning process, the results of ongoing and completed audits, progress on activities, management's responses addressing recommendations and the adequacy of the resources, executive support, and training the IA function needs to execute its mission.
- **Reviews External Regulatory Examinations** – The National Credit Union Administration (NCUA) conducts regular examinations of the Credit Union. The Committee monitors the results of the NCUA examinations as well as tracks management's responses to NCUA recommendations.
- **Monitors Internal/External Complaints** – Through IA, the Committee reviews and delegates, as appropriate, investigations of complaints received through channels such as the NCUA's Consumer Assistance Center and the Employee Ethics Hotline.
- **Focuses on Emerging Issues** – As an independent voice, the Committee meets regularly with the Board of Directors and members of Northwest Federal's management team to review emerging initiatives, issues and challenges that could impact the Credit Union's internal control environment and warrant ongoing attention and monitoring.

The Committee believes that its steady attention and dedication in performing its responsibilities affirm the Credit Union's proper focus on maintaining its sound financial condition and internal control environment. This belief is further confirmed by the 2019 financial statement audit completed by Doeren Mayhew. To promote transparency, Doeren Mayhew's Independent Auditor's Report, along with Northwest Federal's consolidated financial statements, are available on the Credit Union's website for your review.

Volunteerism is one the cornerstones of the credit union movement. In that spirit, the Committee expresses our appreciation to Maureen Wingfield who retired from the Committee after serving for more than 20 years as a devoted volunteer. During that time, she was chair of the Committee from 2008 - 2010 and worked to strengthen the use of best practices, education and training, external auditor relationships and communication with the Board of Directors. We thank Maureen for her dedicated service and wish her the best.

Likewise, the Committee expresses our sincere appreciation to the Credit Union's volunteer Board of Directors for their partnership and transparency with the Committee, as well as their full support of its activities.

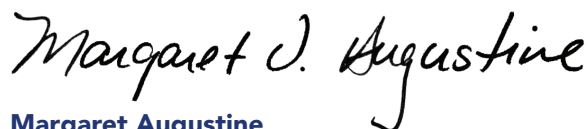
In addition, I would like to thank my colleagues on the Committee who volunteer their time and demonstrate stalwart commitment to their duties – Charlie Barlow, Sandera Oliver, Christine Perritt, Susan Wilson and Bob Grieve.

We continue to encourage open communication with Northwest Federal's membership. If you have a question relating to the financial soundness or management of this organization, please do not hesitate to contact the Committee at:

Supervisory Committee
P.O. Box 1167
Herndon, VA 20172-1167

Or, to contact a member of the Supervisory Committee, you may also send an email to supervisory@nwfcu.org.

We are here for you, the Members.



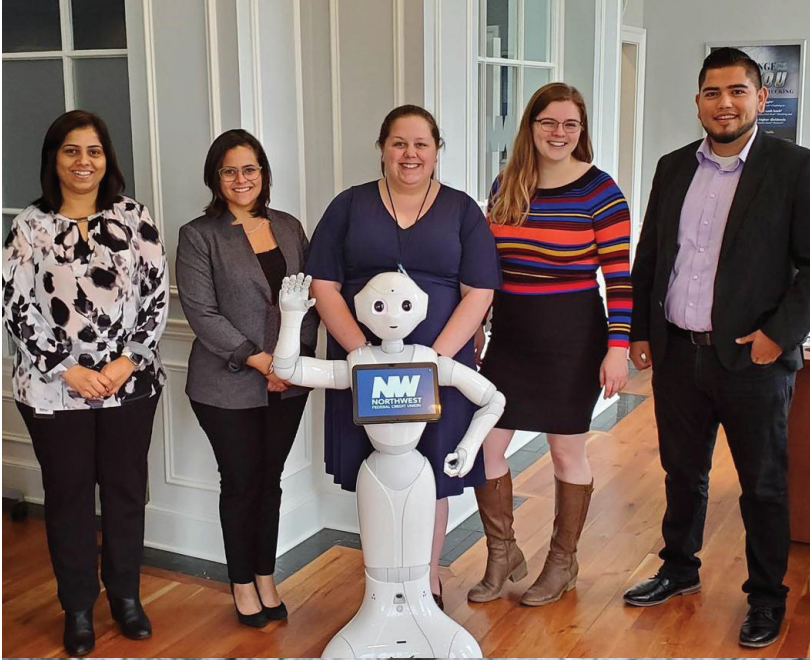
Margaret Augustine
Chair, Supervisory Committee

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200 Spring Street | Herndon, VA 20170
703-709-8900 | 844-709-8900

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