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Michael Kapfer
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Phyllis Ziakas
Senior Vice President of Human Resources and Organizational Development
Once again, 2016 proved to be a successful year for Northwest Federal Credit Union. We continued to grow on all fronts allowing us to exceed our goals for membership, deposits, and loans. We are fortunate to start 2017 as the 49th largest credit union in the nation, with assets in excess of $3.14 billion.

We achieved this milestone by working as a team for our members. We continue to listen to what you need and require from your credit union. With that objective in mind, we focused on creating efficiencies to improve member service and capitalized on our core strengths in lending. The heart of this strategy is our continued commitment to building relationships, communities, and futures. It’s the foundation of our success and our promise to our members.

Prioritizing Service, Stability and Efficiency
Northwest Federal made significant strides in member service during 2016. With the creation of the Senior Vice President of Member Experience position, we are signaling our increased focus on member service at every touch point. We were successful in delivering great member service throughout the year, even with branch transactions averaging 50,000 a month and calls to the Member Service Center reaching 530,000. We were able to handle this increase, due to our updated automated telephone banking system that includes speech recognition and expanded account capabilities. Early in 2016, we made significant improvements in our call center that reduced wait times dramatically. Although wait times have increased as membership and call volume have increased, we are committed to bringing the wait times back down. In January 2017, we prepared to go operational with an Online Payment Center to offer a no-cost, expedited, and simplified way for members to pay loans online. Additional touch-points for members were created via social media, which allowed us the ability to expand our presence on Facebook, Twitter, LinkedIn, and Instagram. These improvements to service channels such as the Member Service Center, Online Banking, and Mobile Banking will continue to remain top priorities going forward.

Even with the rapid growth and our over $2 billion loan portfolio, we will continue to prioritize the personal touches that you have come to expect from your credit union. This includes allowing members to contact us directly with questions, as they have since our inception. We are also committed to ensuring the security of our members’ financial information. This led us to introduce the EMV chip debit card in 2016 for increased account security and provide the CardNav℠ app for our debit cards at no cost to our members. CardNav allows members to manage and control their debit and credit cards using a smartphone app. It’s great for business members whose employees use company cards, for parents wishing to monitor their children’s spending, and for anyone wanting to ensure their cards are being used how they want, where they want.

Also new in 2016, is our Real Estate Escrow Checking Account. This free business checking account is for earnest money deposits. Northwest Federal was the first in the industry to offer this benefit to its members. This was accomplished by lobbying our regulator to allow us to offer this type of insured account to benefit the thousands of real estate agents and brokers that we serve.

Expanding on Core Competencies for Solid Growth
In order to foster smart sustainable growth, we focused on expanding the core competencies that set Northwest Federal apart. Our best-in-class mortgage lending program continues to drive our growth forward with over 1,450 first mortgages loans originated in 2016. This represents over $422 million in funded home loans.

We also retained an emphasis on direct auto lending. By guiding our members through the auto purchasing process, we continue our dedication to one of the member experiences for which Northwest Federal is known. We deliver competitive rates and personal service. This has allowed us to help over 3,250 members with direct auto loans last year.

At the same time, we have maintained a commitment to a measured involvement in indirect auto lending. We are channeling that revenue into innovative solutions for our members, as well as technology enhancements for the credit union as a whole.

Building Relationships, Communities, and Futures
In 2016, we welcomed over 28,000 new members to our credit union. We are very fortunate to have been recognized as one of only eight credit unions to reach over $1 million in savings to members through our HomeAdvantage® program. This program allows members the ability to search through online property listings, compare recent home sales, and research neighborhood demographics. When a member uses one of the agents in the HomeAdvantage network, they are eligible to earn a reward at closing. Throughout the past twelve years, we have returned over $4.4 million reward dollars to our members. We also continue to have products recognized as industry-leading such as our FirstCard Visa® Platinum, acknowledged again this year by MONEY® Magazine as a “best bet” for students and those looking to build their credit.

Our cooperative nature means Northwest Federal goes beyond just meeting the financial needs of our members. The Northwest Federal mission is to build life-long relationships by...
delivering quality financial services that benefit our members in the communities where they live. We are pleased to report that we were again recognized for our commitment to giving back with an award from the Washington Business Journal for corporate philanthropy, thanks to the volunteer efforts of our employees and to the many actions by our community focused Northwest Foundation.

The continued success of our Community Partners program is our promise to give back in action. We care about the organizations that matter to our members, no matter where they live. At the end of 2016, Northwest Federal had nearly 60,000 members who joined through our Community Partners. The membership dues support organizations invested in the arts, animal welfare, environmental causes, and more. Through these new members, over $278,000 was contributed into our community partner organizations. Northwest Federal also continued to participate in events helping children with special needs. Two of our largest events are the Autism Society of Greater Orlando’s Walk and the Special Olympics of Virginia’s Dulles Day Run. In addition, we hosted three 5k runs from our Herndon corporate office for the Town of Herndon, St. Joseph’s School, and the NWFCU Foundation. We were honored to be part of these events by providing monetary support and also actively engaging in the form of volunteers and runners.

Planning for the Future
In 2016, we achieved stellar results in our financial performance while building on the existing infrastructure to prepare for projected growth through 2020. Our growth was achieved with just $79 million in operating expenses; consequentially, we ended the year with net income of $22.9 million. This income allows us to invest in enhancing our infrastructure to improve member services going forward.

As 2017 is our 70th year of serving you, we look forward to several more opportunities in celebrating the “We” of members, employees, and communities who have made Northwest Federal a thriving organization. Our focus for the future will be for investment in retail delivery, operational efficiencies, and an emphasis on improved member experience.

Thomas Conroy
Chairman, Board of Directors
Jeff Bentley
Acting President/CEO

Report from the Treasurer & Financial Management Committee

The year of 2016 was one of continued financial success for Northwest Federal Credit Union. We retained our focus on a balanced and diversified financial structure, including an emphasis on our lending portfolio. We reached our annual goals for membership, total assets, and loan volume focusing on measured, sustainable growth.

The Credit Union’s assets remain over the $3 billion mark and the loan portfolio is $2.2 billion. Overall, loan growth was 11.3% in 2016, which is above the national average of credit unions. Additionally, member deposits grew 8%.

The investment portfolio continued to reflect a more diversified portfolio, which matches Northwest Federal’s long-term strategic goals and funding requirements. Northwest Federal’s asset quality remained strong with credit losses, once again, totaling less than 1% of total loans. Amid continued low loan losses and good earnings performance, our capital base was a strong 9.91% by year-end.

Northwest Federal strives to provide its members with a financially strong credit union, one that can be counted on to serve them throughout their lifetime. This commitment requires a continued investment in the systems and structures that allow the Credit Union to keep pace with industry change and innovation. In 2016, Northwest Federal continued making measured investments in order to maintain the quality of service our 228,000 members deserve. This includes our updated automated telephone banking system that included speech recognition and expanded account capabilities. In January 2017, we developed an Online Payment Center to offer a no-cost way for members to pay loans online.

The focus in 2017 will be on retail delivery, operational efficiencies, and improved member experience, with funds dedicated for reinvestment in strategic initiatives. Credit Union performance is driven by the interaction between market factors, our strategy, and member experience; thus, our success will be measured by service, sustainability and efficiency, with a foundation of risk mitigation.

Progressing into our 70th year, Northwest Federal will continue to explore beneficial opportunities and services for our members while allowing for meaningful growth of the Credit Union. Through sustained and solid growth that is built on our core principles, we aim to strengthen your Credit Union for years to come.

Thank you for your membership with Northwest Federal.

Chuck Molina, CCD
Treasurer, Board of Directors
The Supervisory Committee (the Committee) is a Board-appointed volunteer organization that works on behalf of the membership by providing an independent view of Northwest Federal’s safety and soundness. The Supervisory Committee works to:

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

The Committee employs the independent accounting firm of Doeren Mayhew as a key component in meeting its responsibilities. Northwest Federal’s consolidated financial statements along with Doeren Mayhew’s Independent Auditor’s Report are available on the Credit Union’s website for your review. We believe posting the document directly to the website helps promote transparency and allows us to communicate the information to you in a timely and efficient manner.

In addition, the Committee performs other ongoing duties on behalf of the Members:

- **Oversees Internal Audit (IA)** – The Committee oversees and meets regularly with the Director 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 IA’s recommendations, and the adequacy of the resources, executive support, and training the IA function needs to execute its mission.

- **Monitors Regulatory Examinations** – The National Credit Union Administration (NCUA) conducts regular examinations of the Credit Union. The Committee reviews the results of the NCUA examinations as well as Management’s responses to NCUA recommendations.

- **Focuses on Emerging Issues** – The Committee meets regularly with the Board and Management to identify emerging initiatives, issues, and challenges that could impact the Credit Union’s internal control environment and warrant ongoing Committee and/or IA attention and monitoring. To continue its focus on technology risks impacting the Credit Union, the Committee recently added a new associate member who has an extensive information security background.

The Committee believes that their regular activities confirm the Credit Union's proper focus on maintaining its sound financial condition and internal control environment. This belief is further confirmed by the NCUA’s most recent examination completed during November 2016 and our FY2016 financial statement audit.

The Committee would like to thank you, the members, for supporting Northwest Federal Credit Union. Likewise, we commend the Credit Union’s volunteer Board for their diligence and guidance in the oversight of the Credit Union as well as their support of the Committee and its activities. I would also like to use this opportunity to thank my colleagues, who proudly volunteer their time with me on the Committee, for their dedication and hard work—Maureen Wingfield, Sandera Oliver, Christine Perritt, Margaret Augustine, and Charlie Barlow—as well the Internal Audit team.

We promote open communication with the membership. If you have a question relating to the financial soundness or management of this organization, please do not hesitate to contact us:

**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 Member.

**David McCue**  
Chair, Supervisory Committee
Northwest Federal Credit Union mourns the loss of Kevin Walrath, Senior Vice President of Risk, who passed away on Thursday, January 5, 2017. He was a generous human being who devoted time and resources to the NWFCU Foundation and the Financial Awareness Network, as well as a dedicated leader at the Credit Union.

Armed Services Veteran and Commissioned Officer from West Point, Kevin first joined the Credit Union movement serving as Vice President of Investment Services for NASA Federal Credit Union in 2005. Using his experience in investments and insurance, Kevin transitioned to Northwest Capital Management LLC (NWCM) in 2006. In that role Kevin was recognized as one of LPL Financial’s Program Managers of the Year in 2012.

In 2014 Kevin progressed from his role as Senior Vice President of NWCM to the role of Senior Vice President at Northwest Federal and over the course of two years used his breadth of experience to oversee branch operations, marketing and strategy before becoming the Senior Vice President of Risk.

In his recent role Kevin used his experience to work with the National Association of Federal Credit Unions and the Virginia Credit Union League to lobby for reforms to benefit credit unions, including meeting with members of Congress at the start of the 115th Congressional session days before his passing. Overseeing Compliance, Fraud Mitigation, BSA and Enterprise Risk, Kevin was integral in developing the risk framework for the credit union and ensuring that best practices were put into place to reduce risk and fraud.

Kevin left behind a wife and two children and is deeply missed by all who had the opportunity to know him.