

Report of the Chairman & President

Best & Worst of Times

“It was the best of times, it was the worst of times...” That famous line from the beginning of Charles Dickens’ book “A Tale of Two Cities” in many ways seems an apt and fitting description of Advantis’ experience in 2009 as it was truly a time unlike any other we have seen in more than 70 years. It was “the worst of times” as the entire financial services industry dealt with tribulations related to the economy. Although not completely unscathed by the market turmoil, it was in many respects also “the best of times” at Advantis as we realized several extraordinary achievements while negotiating the worst economic conditions in several generations.

In a series of events that have since become very well documented, what began in America as a housing price bubble fueled by unsound mortgage lending practices eventually spawned a global economic recession, including all the individual and broader societal hardships that go along with it. Although economists say the recession has officially ended, most also agree it will take years to recover the collective wealth lost in its aftermath.

As noted in last year’s annual report to shareholders, Advantis has long adhered to a conservative lending philosophy, only providing members with credit when it believes it will be to their benefit and that they have the means to repay the debt. Advantis, like most credit unions, did not originate subprime loans utilizing substandard underwriting criteria and features specifically designed to enable borrowers to qualify for an amount higher than they could afford, like principal payment option, adjustable rate first mortgages. In retrospect, such credit has all too often proven to be detrimental for both borrower and originator. Unfortunately, Advantis and all other federally insured credit unions are indirectly paying the consequences for these scenarios.

In 2009 the National Credit Union Administration (NCUA), the federal regulatory agency for credit unions, placed two large wholesale corporate credit unions, which do not do business directly with the public, into conservatorship. They took this action because some investments purchased by these corporate credit unions that were originally classified by the ratings agencies as high quality pools of securities, backed by the aforementioned types of mortgage loans, later deteriorated as people who purchased homes with this type of financing were unable to repay their debts. These defaults caused the securities to be downgraded, and accounting rules required that they be valued at their new, often substantially reduced market value, prompting the NCUA’s decision. The NCUA instigated a plan to allow the corporate credit unions to continue to operate and provide business services to natural person credit unions; however, all federally insured credit unions will bear the costs of its implementation. In 2009 the expense to Advantis of the corporate credit union conservatorship totaled \$2.7 million, the majority of which was one-time in nature and, combined with other residual effects of the recession manifested in the form of increased loan losses, caused Advantis to post a \$2.3 million net loss for the year.

Exceptional Achievements Realized in Challenging Circumstances

That turn of events cast a shadow on what was otherwise another stellar year of accomplishments and progress for Advantis. For example, membership increased by nearly 11%, deposits rose by over 21% and, although it tightened its underwriting standards in response to changing economic realities, Advantis continued to fulfill its core mission of lending even in difficult times with loans outstanding up by almost 13%. Additional efforts to help members recover from the economic broadside took the form of the Credit Union funding a record \$177 million volume

in prudently underwritten, quality first mortgage loans in 2009, most of which were sold on the secondary market while still being serviced by Advantis, representing a 94% increase over the \$91 million produced in 2008. Importantly, despite what is expected to be a one-time occurrence of negative earnings, the Credit Union continues to maintain a robust net worth to asset ratio of 9.5%, significantly above the regulatory defined “well capitalized” level of 7.0%.

Continuing to Deliver Great Value

Notwithstanding the turbulent financial markets, Advantis continued to receive national accolades and added to its well-earned reputation for creating and delivering value to its member-owners. For each of the last two quarters of 2009, Advantis was ranked first out of an average of 205 credit unions in the United States with assets between \$250 million and \$1 billion for returning financial value to members by Callahan & Associates, a national research and consulting firm. Advantis has now been recognized as the best in the nation a total of six times and has been ranked in the top 1% 14 times in the last 16 quarters.

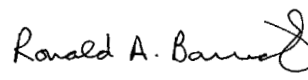
Other highlights of 2009 included the opening of the Credit Union’s first suburban Westside branch office at Orenco Station in Hillsboro; the redesign of Advantis’ website to make it more intuitive, informative and user friendly; conversion of Advantis’ electronic bill payment service to a streamlined and improved platform; several other systems and efficiency improvements that will make it more convenient for members to manage their finances and do business with Advantis; and, in order to position the Credit Union for future deposit growth and provide the ability to maximize current lending opportunities, expansion of the field of membership to include Clark, Cowlitz and Skamania counties in Southwest Washington.

Looking Ahead

Advantis has a full slate of strategic initiatives planned for 2010, including the introduction of a suite of commercial deposit accounts and services; availability of Federal Housing Administration (FHA) insured first mortgage loans; increased business lending services; the ability to open and fund new Advantis accounts online; expansion of its voluntary opt-in overdraft courtesy payment program; and redevelopment of the Belmont branch office location. In addition, Advantis’ partnership with the non-profit Homes for Our Troops organization will culminate in 2010 with the construction of specially adapted homes for two Oregonians that were severely injured while on United States military duty in Iraq.

In spite of what were generally acknowledged as the worst economic conditions since the 1930s, Advantis was able to continue to deliver on its promise of being a financially secure organization that provides exceptional service and value to our members today, while actively positioning itself to help its members achieve prosperity in the future. We would like to acknowledge and thank our staff and volunteers for all their hard work to make Advantis the financial institution of choice for our members. And, most importantly, we want to thank our members for their ongoing loyalty and support and choosing to do business with Advantis.


John J. Hren
CHAIRMAN


Ronald A. Barrick
PRESIDENT / CEO

Statement of Financial Condition

As of December 31, 2009 and 2008

ASSETS	2009	2008
Cash and cash equivalents	\$22,551,417	\$ 75,779,136
Investments	100,064,082	100,458,325
Loans to members, net of allowance for loan loss	576,701,204	514,653,530
Property & equipment	7,540,005	6,596,118
National Credit Union Share Insurance Fund Deposit	6,080,942	4,086,173
Other assets	10,615,001	4,812,538
TOTAL ASSETS	\$723,552,651	\$706,385,820
LIABILITIES AND EQUITY	2009	2008
Liabilities		
Members' shares	\$634,225,206	\$523,198,078
Accrued expenses and other liabilities	6,283,432	4,931,056
Borrowed funds	14,822,438	109,767,579
Total Liabilities	655,331,076	637,896,713
Equity		
Retained earnings, substantially restricted	68,549,123	70,850,356
Accumulated other comprehensive income	(327,548)	(2,361,249)
Total Equity	68,221,575	68,489,107
TOTAL LIABILITIES & EQUITY	\$723,552,651	\$706,385,820

Statement of Income

For the year ending December 31, 2009 and 2008

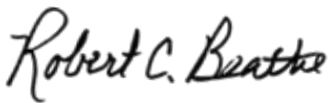
INCOME	2009	2008
Interest on loans to members	\$30,907,006	\$27,358,009
Interest on investments and cash equivalents	3,653,685	5,286,692
Other income	6,255,405	4,308,004
TOTAL INCOME	\$40,816,096	\$36,952,702
EXPENSES	2009	2008
Salaries & benefits	\$7,258,348	\$6,470,205
Operations	7,825,312	6,384,887
Occupancy	1,044,656	792,493
NCUA premium assessment & impairment losses	2,974,715	-
Provision for loan losses	9,647,478	2,095,910
Interest on borrowed funds	598,503	1,808,511
Dividend expense	13,768,317	15,037,111
TOTAL EXPENSES	\$43,117,329	\$32,589,117
NET INCOME	\$(2,301,233)	\$4,363,585

Audit Committee Report

Your Advantis Audit Committee is currently comprised of the following volunteers—Ross Wescott, Renee Halpren, Martin Dieterich, Laura Andersen and myself. We have the responsibility to oversee and verify that Advantis has established and maintains an internal control framework that provides reasonable assurance as to the reliability and integrity of the financial statements and compliance with laws and regulations.

We have fulfilled this responsibility primarily in two ways. We employ an Internal Auditor and have engaged an external audit firm to audit the financial statements. We recently engaged the services of Moss Adams to perform as our External Auditor. We also utilize other expert resources as needed to assist us in our responsibilities. A copy of the complete audited financial statements with Moss Adam's opinion is available at the administrative office of Advantis.

Audit Committee members attend and participate in the monthly Board of Directors' meetings. The Audit Committee also meets separately once a quarter. At these meetings we review the work of the internal auditor, management and the external auditor to ensure the Committee's responsibilities are properly discharged. We also meet individually with the internal and external auditors without management present to discuss relevant issues and assure their independence from management.



Robert C. Beattie

AUDIT COMMITTEE CHAIR

3/5/10



Advantis' Belmont Branch remodel will be completed in late 2010, featuring a new modern design and technology upgrades to improve our members' service experience.

Board of Directors

John Hren – Chair
Jake Jensen – Vice Chair
Patrick Hager – Secretary
Jim Baggenstos
Lou Bruneau
Greg Carlson
Roger Hediger

Alternate Directors

Carolyn Benolken
Josh Roberts
Hilary Showers
Shannon Sivell
Tammy Teske

Branch Locations

17th Avenue
3717 S.E. 17th Avenue, Portland, OR 97202

Belmont
3010 S.E. Belmont, Portland, OR 97214

Downtown
120 S.W. Taylor, Portland, OR 97204

Lloyd Center
825 N.E. Multnomah, Suite 100,
Portland, OR 97232

Hillsboro
7387 N.E. Butler St., Hillsboro, OR 97124

Executive Leadership Team

Ron Barrick
President/CEO
Chris Anderson
Vice President of Lending
Tim Clouse
Vice President of Information Technology
Cameron Dickey
Vice President of Retail Sales & Service
Wendy Edwards
Vice President of Marketing & Human Resources
Laurie Wilson
Vice President of Finance

Audit Committee

Bob Beattie – Chair
Ross Wescott – Secretary
Laura Andersen
Martin Dieterich
Renee Halpern

Administration Office

10501 S.E. Main Street
Milwaukie, OR 97222

Contact Us

P.O. Box 14220
Portland, OR 97293-0220
503-785-2528
800-547-5532
www.advantiscu.org



Ready. Set. Possibilities.