



2014 Annual Report

CU¹ Value the **Moments**

CREDIT
UNION **1**

Chairman's Message

Joe Towslee, Chairman



Last year, as Credit Union 1 set foot over the threshold of 2014, we did so with our eyes to a new era. Longtime President/CEO, Ms. Leslie Ellis, had recently retired. We welcomed new leadership in President/CEO Tom Newins and embraced confident plans for a record-breaking year! Today, I'm happy to report that 2014 not only offered a smooth transition between leadership but an array of accomplishments for both our financial institution and surrounding communities.

With each new year, Credit Union 1 renews its commitment to impact more Alaskans than ever before. One of the biggest ways we realize this goal is by lending toward our members' needs and dreams. We strive to consistently enhance our money management tools, expand our philanthropic efforts, and lend a helping hand to each of our members' diverse financial needs. In 2014, this momentum continued in many forms. Our "e-Member" program, which rewards members who use our electronic services with a loan interest rate discount, continued to represent a unique and beneficial money-saving opportunity for our membership. Our

#CU1LUV campaign, detailed in the President's Message of this annual report, deepened the credit union's brand and impact across Alaska. Our financial education program began offering online "homebuyer" classes to reach more of our state and membership as they work toward future home ownership.

In lending, growth on the consumer side of Credit Union 1's portfolio was \$33.9 million in 2014, or 8.6%. If you're interested in the detailed breakdown of this growth, you'll see progress in each area where we lend to our members' needs. Our top performing consumer



category in 2014 was “Other Unsecured” loans, which increased by 13.9%. Growth in our real estate loan portfolio increased \$3.0 million, or 1.3% over 2013, as more and more Alaskans turned to us with their home-buying dreams. Credit cards and other unsecured loans together increased 7.6%, and consumer loans saw an 8.8% increase. The credit union’s dedication to responsible lending practices contributed to a notable increase in our overall income and stability during 2014. These numbers mean the institution you trust with your financial livelihood has further secured its ability to serve you.

As a leading credit union in the nation, Credit Union 1 continues to focus and devote its resources to the needs of our Alaskan membership. In 2014, we pursued the development of a new and improved Online Access and Mobile App experience for our members, which we are excited to release in early 2015. These enhanced money management tools will allow members to better visualize their financial picture, set goals and take action toward reaching them.

As a member of Credit Union 1, you enjoy “value” in many forms. We’re happy to help grow the value of your finances, but we take even more pride in the valuable moments that our financial tools make possible. In 2015, I invite you to visualize what is most valuable to you – and then talk to us about how we can improve this picture. Whether you’re excited for your first vehicle, home, child or traveling to a new destination, there are many ways that Credit Union 1 can make these dreams a reality.

In the coming year, we will continue to focus our efforts on improving operations across the organization. Likewise, we will closely monitor and manage our operational expenditures for the benefit of our membership. You can rest assured that lending, technology and community engagement will remain three of our highest priorities, and our prudent business practices and commitment to community progress will continue to grow in 2015. YOU are what we value most! Thank you for your membership.

President's Report

Tom Newins, President/CEO



2014 has been a remarkable year for Credit Union 1! I'm honored to have served my first year as President/CEO during a time when we are of particular importance in our fellow Alaskans' lives. Each year, we lend more money, volunteer more time and assist more people than ever before. Our member-focused products are unique among financial institutions, and we're proud to set our sights on member service that keeps on improving! My highest thanks go to the credit union's family of employees for their energy and excitement in reaching these goals.

Affordable financing and smart money management are two of the most important and distinctive values of our credit union. As our Chairman's Message describes, these values helped our credit union grow in nearly every area last year. Each loan that our members financed toward a life goal represented a step forward for them and an achievement for the credit union as a whole. We measure our success by our financial and social impact in Alaska – and in 2014, this impact was realized in several ways.

Credit Union 1's One for All Rewards program represents one of our favorite ways to thank Alaskans for their membership with us. Last year, this program saw several changes – such as the availability of cash rebates! Additionally, we introduced Anniversary Points to the Rewards program, which give our members a boost to their points balance at the start of each new year, in celebration of their anniversary with Credit Union 1. 44.5% of our members now take advantage of the points they earn for their membership with Credit Union 1!



their financial goals by focusing on excellent service and value.

In 2014, Credit Union 1's reputation as a uniquely community minded institution also continued to flourish, as we attracted significant membership growth to the credit union. As of December 31, Credit Union 1 was 80,723 members strong. This is a 5.3% increase over our 2013 member base of 76,690. With each passing year, Credit Union 1's support of positive change in Alaskan communities has directly influenced the number of people who choose to trust their finances to our "people helping people" values and member friendly service.

Although I have many positive memories of this past year, my favorite by far was the launch of Credit Union 1's #CU1LUV campaign. On December 2, 2014 – also known as "Giving Tuesday" – we touched hundreds of Alaskans' lives with goodwill and the One for All spirit. In honor of this philanthropic holiday, Credit Union 1 took to the streets in each of our branch communities across the state. Our employees found families in need of grocery money, folks who needed a smile and a warm coffee, individuals struggling through the holiday

season, and we helped them in any way we could. We gave away gift cards, paid peoples' utility bills, brought treats to firefighters and hospital workers, and raised an incredible amount of money for local organizations. On Giving Tuesday, Credit Union 1 also offered to triple our members' charitable donations, and with your help we raised \$4,124.58 for Alaskans in need in one day! This show of generosity and kindness is the essence of #CU1LUV. It's what makes our credit union an extremely special place to be.

In the coming year, I'm eager to share new ways that Credit Union 1 is helping Alaskans make the most of their relationship with us. Together, we can truly grow the financial and social well-being of our local communities! When you need a partner in this growth and progress, we're happy to lend a hand.



*People helping people
is not only our motto...*



*...it's how we envision
the future*



Community Engagement

If you live or work in Alaska, chances are that you benefitted from Credit Union 1 philanthropy in some way last year. Through our unique One for All Alaska Fund, we raised funds for organizations that promote positive change in each of our branch communities. Through our volunteer events and monthly fundraisers, we assisted 153 organizations and projects in their diverse efforts to benefit Alaskans in need. You may be a member of other financial institutions, but you can be sure that Credit Union 1 stands apart in our “One for All” spirit!

At Credit Union 1, we believe that by supporting our communities, we can improve the big picture of social well-being for all Alaskans. To us, living “One for All” means “unity!” We recognize that it’s our duty to give back to the communities in which we operate, and we truly value the principle that our credit union was

founded upon: “people helping people.” Across Alaska, we’re proud to be actively engaged in our branch communities through fundraising, volunteering, providing non-profit support, teaching financial education and working closely with our youth.

In 2014, Credit Union 1 contributed and fundraised a total of \$184,000. Our members donated a remarkable \$115,000 of those funds! In addition, employees volunteered a record-breaking 4,467 hours to 153 different non-profits, schools and projects throughout Alaska. These volunteer numbers represent a 47% increase over 2013. Our employees believe that to make a true difference, people must work together.

In 2014, our One for All Alaska Fund exceeded its 2013 accomplishments by 14%. Last year also marks a 190% increase in money raised since this fund’s inception in 2011. The credit union’s vested interest and desire to make a difference resulted in \$41,120 being raised and distributed back to our local communities via the One for All Alaska Fund, which exists to further promote positive change in Alaskan communities. Our annual total marks yet another record for the credit union!

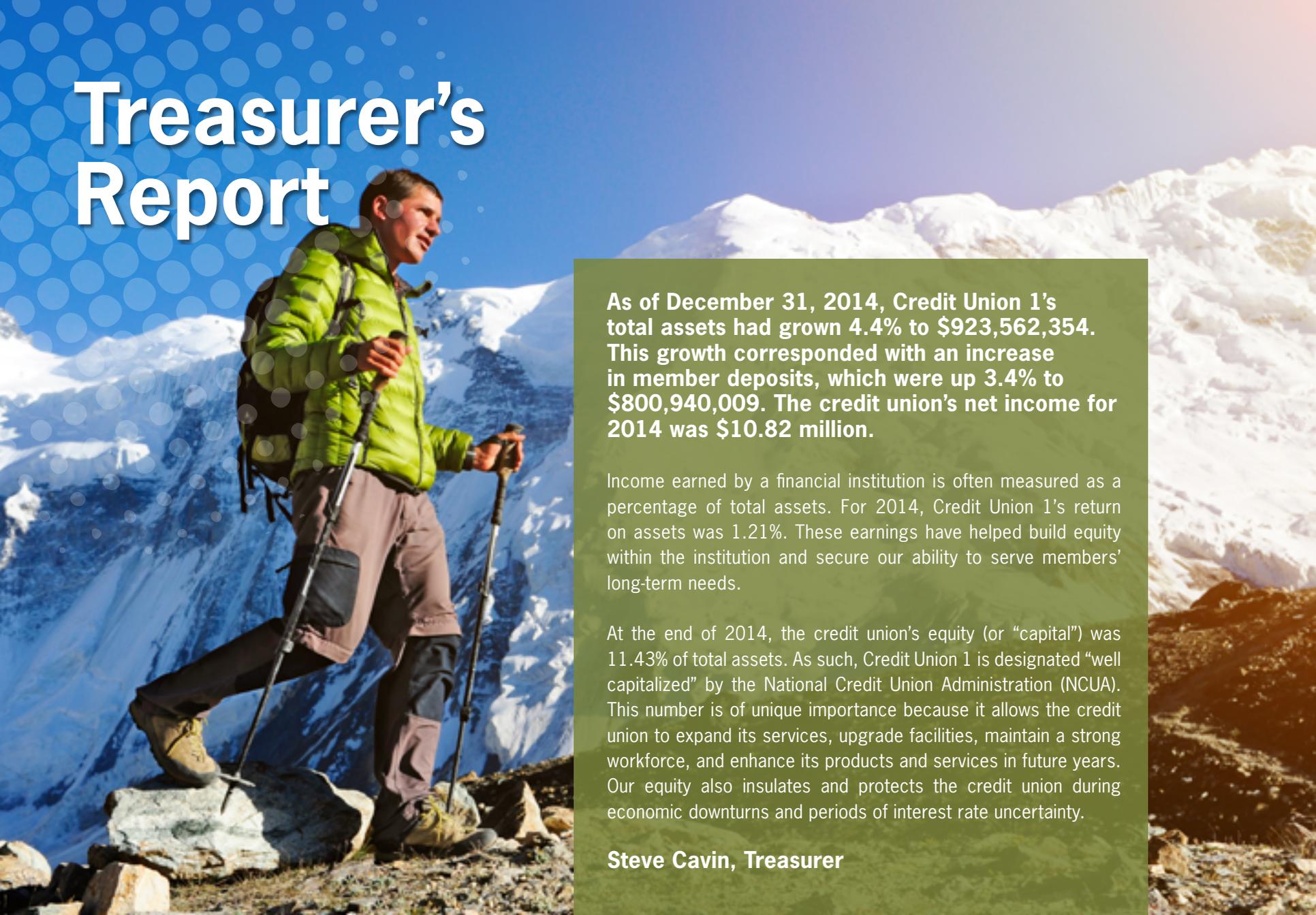
At Credit Union 1’s annual Member Appreciation Day events, which take place in Ketchikan, Kodiak, Soldotna, Eagle River, Fairbanks and Nome, \$62,500 was donated to six different local nonprofits. Our members’ donations represent an increase of 16% over 2013. Given

the exceptional fundraising and volunteer records we reached this year, it’s clear that Credit Union 1’s “One for All” spirit is supported and shared by our fellow Alaskans!

In addition to our fundraising and volunteer efforts, Credit Union 1 is also committed to educational growth throughout Alaska. As such, we participate in The Anchorage School Districts School Business Partnerships Program with West Anchorage High School, Clark Middle School, William Tyson Elementary, Mountain View Elementary and Family Partnership Charter School in Anchorage. In addition, we continue to grow our financial education efforts with classes that are geared to both youth and adults alike. Our Discover Financial Fitness classes teach how to manage a budget, work toward goals, develop healthy credit and more. We provide these classes free of charge to schools, businesses, non-profit organizations and the general public – and new in 2014, we began offering classes for future homebuyers! Through our online class offerings, we’re better able to reach Alaskans in all areas of the state. This effort resulted in improved financial fitness for 2,104 individuals during 2014!

Credit Union 1 is particularly proud of our comprehensive social commitment to Alaskan communities. Each day, we strive to help our friends and neighbors strengthen their financial and social well-being! Credit Union 1 employees and members alike have embraced the “One for All” spirit to an inspiring extent, and we have our hearts set on an even larger impact in 2015.

Treasurer's Report



As of December 31, 2014, Credit Union 1's total assets had grown 4.4% to \$923,562,354. This growth corresponded with an increase in member deposits, which were up 3.4% to \$800,940,009. The credit union's net income for 2014 was \$10.82 million.

Income earned by a financial institution is often measured as a percentage of total assets. For 2014, Credit Union 1's return on assets was 1.21%. These earnings have helped build equity within the institution and secure our ability to serve members' long-term needs.

At the end of 2014, the credit union's equity (or "capital") was 11.43% of total assets. As such, Credit Union 1 is designated "well capitalized" by the National Credit Union Administration (NCUA). This number is of unique importance because it allows the credit union to expand its services, upgrade facilities, maintain a strong workforce, and enhance its products and services in future years. Our equity also insulates and protects the credit union during economic downturns and periods of interest rate uncertainty.

Steve Cavin, Treasurer

Supervisory Committee Report

The Supervisory Committee is appointed by the board of directors and is responsible for ensuring that the financial statements of the credit union are accurately and fairly presented by management. The committee also ensures that operational practices and procedures are sufficient to safeguard member assets. These duties are required by federal and state regulations. State of Alaska statutes summarize the committee's responsibilities and read as follows:

“ The Supervisory Committee shall conduct an annual audit of the accounts of the credit union and submit a report of the audit to the board of directors and a summary of the audit to the members at the next annual members' meeting of the credit union. The Supervisory Committee may conduct supplementary audits as it considers necessary or as ordered by the commissioner, and submit reports of the supplemental audits to the board of directors. ”

To fulfill these obligations, the Supervisory Committee hired the international accounting firm of KPMG LLP to perform an independent audit of our financial statements and confirmation of member accounts. The results of the audit, conducted as of and for the year ending September 30, 2014, indicate that the financial statements of Credit Union 1 are fairly stated. Additionally, the credit union's internal auditor reviews and evaluates the systems of management's control and reports the results to the Supervisory Committee and management on an ongoing basis.

Credit Union 1 is regulated by the State of Alaska and insured by the National Credit Union Administration (NCUA). The credit union is subject to examination by both entities on an annual basis. The positive results of these examinations and those conducted by our internal and independent auditors are strong indications of the ongoing soundness and effective management of this institution.

Damien Stella, Chair
Marietta Hall, Secretary
Carl Markon, Member
Ross Risvold, Member
Jennifer Bernard, Member

Financial Statement

Unaudited in thousands

<i>Assets</i>	2014	2013
Cash	\$8,938	\$9,139
Investments	\$191,502	\$190,211
Loans (Net)	\$652,476	\$616,046
Fixed Assets (Net)	\$34,320	\$35,615
Other (Assets)	\$36,326	\$33,630
Total	\$923,562	\$884,641

<i>Total Liabilities & Members' Equity</i>	2014	2013
Members' Shares	\$800,940	\$774,332
Liabilities	\$15,136	\$13,016
Members' Equity	\$107,486	\$97,293
Total	\$923,562	\$884,641

<i>Income Statement</i>	2014	2013
Loans	\$32,283	\$29,928
Investments	\$1,849	\$2,317
Interest Income	\$34,132	\$32,245
Dividends & Interest Expense	\$2,545	\$2,881
Net Interest Income Before Provision for Loan Loss	\$31,587	\$29,364
Provision	\$5,385	\$3,319
Net Interest Income	\$26,202	\$26,045
Operating Income	\$24,502	\$20,374
Operating Expense	\$39,883	\$38,824
Net Income From Operations	\$10,821	\$7,595
Non-Operating Income (Expense)		
NCUSIF Stabilization Expense	\$0	\$-567
Total Net Income	\$10,821	\$7,028

2014 Awards

Local Awards

Alaska Business Monthly Top 49ers

National Awards

Credit Union National Association (CUNA)
Diamond Award Winner

Dora Maxwell Award for Social
Responsibility



BOARD OF DIRECTORS

Joe Towslee, Chair

Colin Baxter, Vice Chair

John Weddleton, Secretary

Steve Cavin, Treasurer

Becci Anderson, Director

Tim Craig, Director

Carl Markon, Director

Fred Stassel, Director Emeritus

EXECUTIVE MANAGEMENT

Tom Newins, President/CEO

SUPERVISORY COMMITTEE

Damien Stella, Chair

Marietta Hall, Secretary

Jennifer Bernard, Member

Carl Markon, Member

Ross Risvold, Member

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Federally Insured by NCUA.