



2015 Annual Report

CU¹

Invest in the **Reflective** Moments

CREDIT
UNION

1

Chairman's Message

Joe Towslee, Chairman

 In recent decades, Credit Union 1 has grown significantly in size and success for our members. 2015 followed suit in terms of positive growth; however, it was also a year of remarkable advancement in services.

The internet account access service we have offered since 1998 was upgraded to a cutting-edge platform that supports advanced budgeting and money management tools. We enhanced our Automated Response Teller (ART) to provide more convenient and timely phone service. Both of these upgraded services now feature the required and enhanced security features that were not available on their previous versions. We implemented new point-of-sale technology to protect member purchases, and we expanded on our educational tools to maximize use of these resources. Technology provided by financial institutions has blossomed in recent years, and Credit Union 1 is now on the forefront of this progress to benefit our membership base.

Hand in hand with each of these advancements, Credit Union 1 renewed its commitment in 2015 to impact more Alaskans than ever before. This goal was achieved in part through an expanded social media presence, which is now used as a platform for members to openly communicate with the credit union any time of day. We also use social media as a transparency tool when conveying important messages to our membership in a timely, forthright manner. Furthermore, media sites have allowed us to share a growing tutorial series on how to access and enjoy the financial services and support offered at CU1.

Ultimately, each of the credit union's 2015 service enhancements was in support of our most important goal as

an Alaskan not-for-profit: affordable and accessible lending opportunities for our members. In lending, growth on the lending side of Credit Union 1's portfolio was \$38.1 million in 2015, or 8.9%. Our top-performing consumer category was home equity, which increased by 53.7%. Growth in our real estate loan portfolio increased \$14.1 million, or 6.1%, over 2014. Credit cards and other unsecured loans also increased 12.7%, and consumer loans saw an 8.2% increase. In total, the credit union's dedication to responsible lending practices contributed to a notable increase in its overall financial well-being during 2015.

Credit Union 1 also continues to have a low ratio of delinquent loans in its portfolio – namely, 0.99% as of December 31, 2015. Loan charge offs as a percentage of average outstanding loans was 0.91% in 2015, which is a decrease from 2014. Recoveries increased 4.2% from the previous year, as our member assistance efforts remain strong.

In 2015, Credit Union 1's reputation as a uniquely community-minded institution also continued to flourish, thanks to efforts such as CommUNITY Day and our second annual #CU1LUV campaign, which are detailed in other sections of this report.

In tandem with our statewide philanthropic presence, we attracted significant membership growth to the credit union. As of December 31, Credit Union 1 was 85,122 members strong. This is a 5.4% increase over our 2014 member base of 80,723 and emphasizes the value Alaskans place in community outreach when choosing their financial institution.

With every effort that Credit Union 1 makes to expand financial and social well-being in Alaska, we strive to communicate the value we place in our members and statewide community. In the coming year, we plan to further invest in the moments that promote positive growth for our fellow Alaskans. Lending, technology and community engagement will remain three of our highest priorities, as these areas directly benefit our members' personal and financial success. We will also continue to exercise prudent business practices while increasing affordability and accessibility to Alaskans in need of a helping hand. As a member-owned credit union, we look forward to serving you through each of these diverse venues. In the year ahead and always, thank you for your membership!

Joe Towslee



President's Report

Tom Newins, President/CEO

 In any given year, Credit Union 1 strives to provide the very best in service to our members. However, in 2015 this goal was met through one strong and consistent theme: upgrades.



We upgraded our technology resources, our lending opportunities and our philanthropic efforts across the board. Each of these benchmarks would not have been possible without the dedication and commitment of our employees. Through forward-thinking and a can-do attitude, our organization embraced upgrades that make member service at CU1 a superior standard. Credit Union 1 grew in nearly every area last year. The number of Alaskans we impacted through a positive financial relationship

was remarkably high, and this base continues to grow through the word-of-mouth support of our members. As a whole, Credit Union 1 uses each day as an opportunity to further invest in our fellow Alaskans' well-being, and in 2015, this investment was realized in several ways.

Credit Union 1's One for All Rewards program remains one of our most unique means of thanking members for their business. With the recent addition of a cash rebate option, even

more members are taking advantage of this free program's benefits. In 2015, overall Rewards points redemptions increased, and 44.7% of all points earned by our members have been used. These points were applied toward a variety of convenient money-saving opportunities, such as enhanced certificate rates, a loan discount, gift cards, cash rebates and more.

Although the financial statistics of Credit Union 1's annual report are exciting to celebrate, I'm equally interested to share our philanthropic successes of 2015. On October 12, our employees gathered for a first-ever CommUNITY Day in which social outreach efforts took place statewide for the benefit of our branch communities. We volunteered time, donated funds, even raked gravel walkways for the benefit of Alaskans from Nome to Ketchikan. Similar efforts take place on a monthly basis at CU1, as outreach is part of our employee fabric, but it's always a thrill for me to see such people-helping-people spirit gathered in force on a particular day.

Looking forward, I'm eager to see what Credit Union 1 is able to accomplish on both financial and social fronts in 2016. We have great plans in store to benefit the overall well-being of our members, communities and state. Thank you for investing in this vision!



Community Engagement



CU1 assisted
164
organizations and
projects in their
diverse efforts to benefit
Alaskans in need.

CU1 contributed
and fundraised
\$247,146
Members donated a
remarkable
\$125,517
of those funds via our monthly
branch fundraisers.

CU1 employees
volunteered
4,595
hours
of their time to
statewide
non-profits,
schools, projects
and more!

One for All Alaska Fund

The credit union's One for All Alaska Fund, which exists to promote positive change in Alaskan communities, exceeded its 2014 accomplishments by 25%. 2015 also marked a 356% increase in money raised since this fund's inception in 2011. The credit union's vested interest and desire to make a social difference resulted in \$54,764 being raised and returned to our local communities in the name of "One for All" spirit in 2015. This annual total marks yet another record for the credit union!

Member Appreciation

At Credit Union 1's annual Member Appreciation Day events, which take place in Ketchikan, Kodiak, Soldotna, Eagle River, Fairbanks and Nome, our members donated \$85,000 to six different local nonprofits. Our members' donations represent an increase of 36% over 2014. Given the exceptional fundraising and volunteer records we reached this year, it's clear that our passion for philanthropy is shared by our fellow Alaskans!

Financial Literacy

In addition to fundraising and volunteer efforts, Credit Union 1 is also committed to educational growth throughout Alaska. As such, we participate in "School Business Partnerships" with West Anchorage High School, Clark Middle School, William Tyson Elementary, Mountain View Elementary and Frontier Charter School in Anchorage. We also continue to

grow our financial education efforts with classes that are geared toward Alaskans in all stages of life. Our Discover Financial Fitness classes teach budgeting, home-buying skills, identity theft protection and more. We provide these classes free of charge on a monthly basis and upon request, and in 2015 we were able to reach 927 individuals.

Community

As a not-for-profit credit union, 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. In 2015, we realized a large part of this success via our COMMUNITY Day on October 12 and #CU1LUV campaign on December 2. These events each represent a concentrated day of statewide "giving back" to our community, and we've detailed their success through the smiling faces and large hearts on this page.

Treasurer's Report

Steve Cavin, Treasurer



As of December 31, 2015, Credit Union 1's total assets had grown 5.8% to \$977,041,878. This growth corresponded with an increase in member deposits, which were up 5.8% to \$847,202,518. The credit union's net income for 2015 was \$8.13 million.

Income earned by a financial institution is often measured as a percentage of total assets. For 2015, Credit Union 1's return on assets was 0.88%. These earnings have helped build equity within the institution and secure our ability to serve members' long-term needs.

At the end of 2015, the credit union's equity (or "capital") was 11.63% 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.

Historical Assets
(in thousands)



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 national professional services firm of CliftonLarsonAllen Wealth Advisors, LLC 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, 2015, 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.

Marietta Hall, Chair
Jennifer Bernard, Secretary
Damien Stella, Member
Ross Risvold, Member
Andre Horton, Member

Financial Statement

Unaudited in thousands

Assets

	2015	2014
Cash	\$10,419	\$8,938
Investments	195,383	191,502
Loans (Net)	703,420	652,476
Fixed Assets (Net)	33,281	34,320
Other (Assets)	34,539	36,326
Total	\$977,042	\$923,562

Total Liabilities & Members' Equity

	2015	2014
Members' Shares	\$847,203	\$800,940
Liabilities	15,110	15,136
Members' Equity	114,729	107,486
Total	\$977,042	\$923,562

Income Statement

	2015	2014
Loans	\$35,029	\$32,283
Investments	1,470	1,849
Interest Income	36,499	34,132
Dividends & Interest Expense	-2,444	-2,545
Net Interest Income Before Provision for Loan Loss	34,055	31,587
Provision	-6,355	-5,385
Net Interest Income	27,700	26,202
Operating Income	24,485	24,560
Operating Expense	-43,948	-39,883
Net Income From Operations	8,237	10,879
Non-Operating Income (Expense)	-104	-58
Total Net Income	\$8,133	\$10,821



2015 Awards

Local Awards

American Marketing Association
Prism Awards
#CU1LUV
CU1 Tutorial Series

National Awards

Hermes Creative Awards
One for All Alaska Fund
CU1 Tutorials Series
"The Comeback" Employee Video



BOARD OF DIRECTORS

Joe Towslee, Chair

Colin Baxter, Vice Chair

John Weddleton, Secretary

Steve Cavin, Treasurer

Becci Anderson, Director

Damien Stella, Director

Carl Markon, Director

Fred Stassel, Director Emeritus

EXECUTIVE MANAGEMENT

Tom Newins, President/CEO

SUPERVISORY COMMITTEE

Marietta Hall, Chair

Jennifer Bernard, Secretary

Ross Risvold, Member

Damien Stella, Member

Andre Horton, Member

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