

CREDIT
UNION



2012 Annual Report

CHAIRMAN'S *Message*



At the start of 2012, Credit Union 1 was energized and excited to enter its 60th year of serving fellow Alaskans. We set our sights on lending even more money to members in need, helping you save for the future and achieve your goals, all while donating more time and money than ever to the growth of healthy Alaskan communities. Now, with our anniversary year complete, we're happy to celebrate the achievement of each one of these aspirations!

In support of a stronger economy, Credit Union 1 embraces significant annual loan goals. As a service to our members and a necessity to our growth, we were able to lend \$258.7 million to Alaskans statewide in 2012. This is a record-breaking 32.5% increase over the previous year's lending. Individually, consumer loan originations saw a 30.4% increase and real estate loan originations increased by 40.4%. Consumer loan balances increased \$50.7

million, or 16.8%, with the top-performing consumer category being other consumer loans, up 20% from last year. Real estate loan balances also had strong growth, increasing \$22.7 million or 11.8%. Credit cards and other unsecured loans increased 8.8%. In tandem with this lending success, Credit Union 1's income and stability increased in all areas during 2012 as well. These numbers mean the institution you trust with your financial livelihood has further secured its ability to serve you.

Furthermore, Credit Union 1 continues to have an exceptionally low ratio of delinquent loans in its portfolio – namely, .51% as of December 31, 2012. Loan charge offs as a percentage of average outstanding loans were .49% in 2012, which is a decrease from 2011. Recoveries decreased 10% from the previous year; however, our member assistance efforts remain strong.



Credit Union 1 highly values its reputation as a community-minded institution, and in 2012 this reputation attracted significant membership growth. As of December 31st, we were 72,002 members strong – which is a 9% or 5,866 person increase over 2011. Clearly, our community presence and financial offerings have attracted an audience. We're seeing members who are new to banking as well as those eager to switch to a more personal, people-oriented banking experience – which is exactly what Credit Union 1 is proud to be.

In 2012, our fourth payment to the National Credit Union Share Insurance Fund (NCUSIF) was \$646,000. This fund, established after the economic recession of 2008, protects credit unions nationwide from the need for government aid. This expense is forecasted to remain consistent in 2013 and may continue for many years to come. It is a sharp reminder of the effects of the recession – however, the NCUSIF

also demonstrates how credit unions are self-sufficient contributors to the national economy.

Looking toward 2013, Credit Union 1 and its membership have a phenomenal past year to expand upon. We will continue to make lending, technology and community engagement our highest priorities. Credit Union 1's drive and passion for community-based banking have positioned us to help many more Alaskans improve their financial well-being and success in 2013. Through prudent business practices and over 60 great years of experience, we will continue to distinguish our position as a leader in Alaska's financial industry – and as the best choice for your business. Thank you for your membership!

Roger Aldrich
CHAIRMAN



PRESIDENT'S *Message*



Having now served the credit union for 30 years as President and CEO, I'm proud to say that our most distinctive trademark is the way we “give back” to our membership in everything we do.

As a member of Credit Union 1, you are part of the first and only banking institution in Alaska to have a rewards program that doesn't restrict benefits to those who solely spend money with us. Our One for All Rewards program is accessible to all budgets – meaning we reward members for both spending and saving! We believe this combination represents and respects the “big picture” of a member's financial well-being.

As a new product offering in 2012, Credit Union 1 launched its first ever mobile banking application. This “app” was developed in response to the clear desire of

our membership to have on-the-go account access. We're excited to see this enthusiasm in our members!

This past year, the credit union also unveiled a new full-service Downtown branch in Anchorage. This area of the city is ripe with economic development and Credit Union 1 recognized a clear need for services beyond our previous drive-thru/walk-up arrangement. With the opening of a full-service branch, we are better able to serve existing members and attract new business to the credit union.

Credit Union 1's efforts to provide financial education also expanded in 2012. Not only did we continue to offer free Discover Financial Fitness classes throughout the state, we introduced a Financial Fitness Friday blog on oneforallalaska.org that focuses on CU1 employees' firsthand

experiences in managing money through various stages of life. This blog presents a personal and unassuming outlook on finances. Credit Union 1 does not believe banking should be an intimidating experience, which is why we're happy to offer financial education in a classroom setting or in the privacy of your own home via a weekly blog.

In 2012 we also awarded student members more than \$25,000 in scholarships through our Bill Countryman Scholarship program. This marked the 25th consecutive year that we've helped fund student education.

We wrapped up the year with our "60 Days of Giving" program to commemorate our 60th anniversary, which was the most far reaching and rewarding promotion the credit union has ever done. It proved to us that it's the little things that can have the biggest impact.

As President/CEO, I could not be more proud of the work we've accomplished together. We've built, taught and grown a financial movement in the state that I only dreamt about three decades ago. The strength of this credit union is truly amazing and I want to personally thank each and every one of you for your continued trust in Credit Union 1.

Leslie Ellis
PRESIDENT/CEO



COMMUNITY *Engagement*



Each quarter, CU1 employees head to Bean's Café to provide ice cream sundaes to homeless clients as a rare treat. In 2012, we added a new feature to these trips and brought along school age kids from our onsite Learning Center (employee day care) to introduce them to the concept of volunteering and giving back to their community. We enjoyed an incredible experience, watching these children develop a love for helping people as they learned what "One for All" is all about.

At Credit Union 1, we live "One for All" – which means being part of something bigger than ourselves. We believe that by supporting our Alaskan communities, we are improving the "big picture" of our members' lives! As such, CU1's community engagement efforts continue to grow each year. We are proud to be actively involved in all branch communities, from Ketchikan to Nome. In each of these areas, we volunteer, fundraise, provide corporate support, teach financial education and work closely with youth. We also participate in "School Business Partnerships" with West High School, Clark Middle School, William Tyson Elementary, Mountain View Elementary and Family Partnership Charter School in Anchorage. Each day, our goal is

to keep the spirit of "One for All" alive and well at CU1 and throughout Alaska.

In 2012, CU1 contributed and fundraised a total of \$184,188. We also volunteered 2,906 hours to over 125 non-profits and schools throughout the state! On top of this, our members donated more than \$101,000 toward statewide philanthropy projects and events – which is a 22% increase from 2011.

In 2012, our One for All Alaska Fund surpassed its 2011 achievements by 72%! This special fund collects member donations toward an annual philanthropic focus. Last year, the focus was supporting Alaska's youth. All money raised stays in its local community –



meaning we were able to distribute \$24,313 total to youth-minded organizations in Nome, Fairbanks, Eagle River, Anchorage, Soldotna, Ketchikan, and Kodiak. As a Credit Union 1 member, you can take heart in the knowledge that your financial institution represents far more than ledger numbers. We are the friends and neighbors in your community who are actively working to make it a better place.

Also in 2012, CU1 continued to serve Alaskans by offering Discover Financial Fitness classes. These classes teach about budgeting, credit, and how to manage money wisely. Last year we taught 76 classes to 1,129 unique individuals, which is an extraordinary 98% increase over 2011. CU1 provides

these classes free of charge to schools, businesses and non-profit organizations – and we also offer free public classes regularly in Anchorage. One of our credit union's biggest financial education accomplishments in 2012 was a public class in Nome that was highly attended by 18 community members!

At Credit Union 1, our social commitment to fellow Alaskans is unwavering. We are proud to demonstrate our commitment to living “One for All” each and every day – however, our happiest stories are those in which our members join these efforts. *Thank you!*

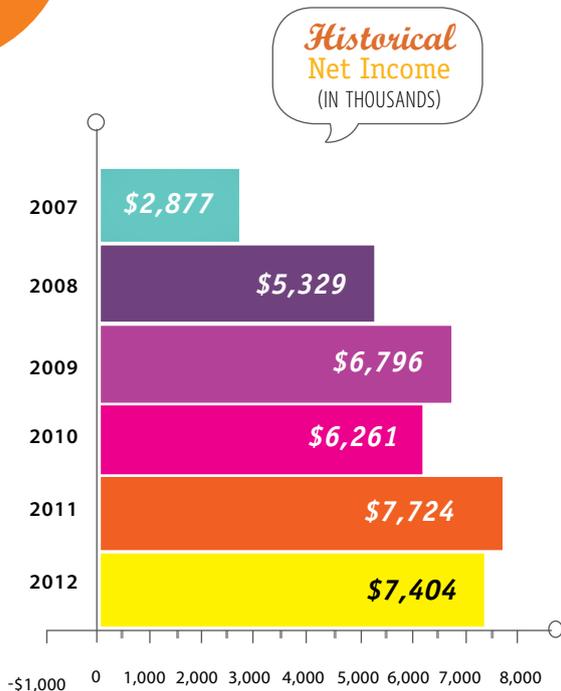


Every six weeks, CU1 teaches a Discover Financial Fitness class to women in the AWAIC (Abused Women's Aid in Crisis) shelter. Studies have shown that financial abuse is one of the most challenging issues for victims to overcome, but when provided education on how to manage finances, victims may be more successful in leaving and staying out of an abusive relationship.

One for All Alaska funds raised in Eagle River went to FOCUS, Inc., an organization which serves individuals who experience disabilities. Over \$2,800 was raised toward the purchase of new playground equipment that is more compliant for children experiencing special needs.



TREASURER'S *Report*



As of December 31, 2012, Credit Union 1's total assets had grown 7.9% to \$850,258,000. This growth corresponded with an increase in member deposits, which were up 7.8% to \$745,747,000. The credit union's net income for 2012 was \$7.4 million. This number is particularly impressive in light of a \$646,000 National Credit Union Share Insurance Fund (NCUSIF) stabilization expense.

Income earned by a financial institution is often measured as a percentage of total assets. For 2012, Credit Union 1's return on assets (ROA) was 0.92%. Before paying the NCUSIF stabilization expense, the credit union's ROA was 0.99%. These earnings have helped build equity within the institution and secure our ability to serve members' long term needs.

At the end of 2012, the credit union's equity (or "capital") was 10.31% of total assets. As such, Credit Union 1 is designated "well capitalized" by the National Credit Union Administration (NCUA). This number is important 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.

Joe Towlslee
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:

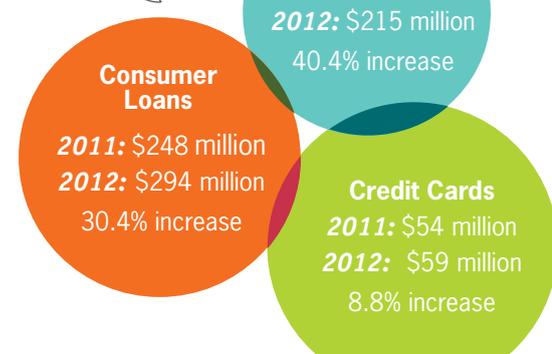
“*The Supervisory Committee shall conduct an annual audit of the accounts of the credit union and submit a report of the audit to the board of directors and a summary of the audit to the members at the next annual members' meeting of the credit union. The Supervisory Committee may conduct supplementary 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, 2012, 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.

Damien Stella, Chair
Marietta Hall, Secretary
Carl Markon, Member
Chelsey Homan, Member
Jennifer Bernard, Member

LOAN PORTFOLIO *for 2011-2012*



FINANCIAL *Statement*

Unaudited
(IN THOUSANDS)

Assets

| | <u>2012</u> | <u>2011</u> |
|--------------------|------------------|------------------|
| Cash | \$16,731 | \$13,343 |
| Investments | 201,238 | 218,995 |
| Loans (Net) | 563,096 | 490,113 |
| Fixed Assets (Net) | 36,626 | 35,882 |
| Other Assets | 32,567 | 29,499 |
| TOTAL | \$850,258 | \$787,832 |

Total Liabilities & Members' Equity

| | <u>2012</u> | <u>2011</u> |
|-----------------|------------------|------------------|
| Members' Shares | \$745,747 | \$691,834 |
| Liabilities | 12,486 | 10,484 |
| Members' Equity | 92,025 | 85,514 |
| TOTAL | \$850,258 | \$787,832 |

Income

| | <u>2012</u> | <u>2011</u> |
|--------------------------------|----------------|----------------|
| Loans | \$28,752 | \$27,428 |
| Investments | 3,244 | 4,529 |
| Interest Income | 31,996 | 31,957 |
| Dividends & Interest Expense | 3,336 | 3,945 |
| Net Interest Income Before | | |
| Provision for Loan Loss | 28,660 | 28,012 |
| Provision | 2,389 | 1,733 |
| Net Interest Income | 26,271 | 26,279 |
| Operating Income | 18,458 | 15,673 |
| Operating Expense | 36,679 | 32,649 |
| Net Income From Operations | 8,050 | 9,303 |
| Non-Operating Income (Expense) | | |
| NCUSIF Stabilization Expense | (646) | (1,579) |
| NET INCOME | \$7,404 | \$7,724 |

2012 *Awards*

LOCAL AWARDS

Success by 6 Anchorage Family Workplace Award

NATIONAL AWARDS

Credit Union National Association (CUNA) Desjardins Adult Financial Education Award

Credit Union National Association (CUNA) Marketing and Business Development Council Diamond Award Winner

Honorable Mention – Credit Union National Association (CUNA) Dora Maxwell Social Responsibility Community Service Award

Credit Union Executive (CUES) Golden Mirror Award of Merit for 2011 Annual Report





Board of Directors

Roger Aldrich, *Chair*

Tim Craig, *Vice Chair*

Joe Towslee, *Treasurer*

Colin Baxter, *Secretary*

Steven Cavin, *Director*

Carl Markon, *Director*

Fred Stassel, *Director Emeritus*

John Weddleton, *Director*

Executive Management

Ms. Leslie Ellis, *President/CEO*

Lisa Monsen, *Executive Vice President*

Supervisory Committee

Damien Stella, *Chair*

Marietta Hall, *Secretary*

Jennifer Bernard, *Member*

Carl Markon, *Member*

Chelsey Homan, *Member*

