



LOCAL & LOYAL

• SINCE 1952 •





A MESSAGE TO OUR MEMBERS

Our Mission

To help members achieve their financial goals by focusing on excellent service and value.



Colin Baxter
CHAIRMAN OF THE BOARD



James Wileman
PRESIDENT/CEO

Credit Union 1 has been growing its story in Alaska since 1952. In those early years, we were leading change by providing low cost, affordable loans to Anchorage teachers as our home state was just beginning to grow. We've since forged a strong reputation for uplifting others from all walks of life – by lending money when other places said no; by lending a hand when our friends and neighbors were in need. Today, as we reflect on these past 66 years as Alaska's only state-chartered, 100% Alaskan credit union, we're proud to see a history of truly valuing people.

In each of the many ways that we lead change, uplift others and value people, the ability to lend money to our fellow Alaskans plays an important role. In 2018, Credit Union 1's total loan portfolio increased by \$17.7 million, or 2.33%. Our top-performing loan category was real estate loans. We saw growth in this portfolio increase \$29.5 million, or 10.7%, from 2017. Despite diverse economic circumstances in our members' personal lives, Credit Union 1 was proud to help even more Alaskans find stability in a home or home-related achievement of their own.

On the consumer side of Credit Union 1's portfolio, we saw an \$11.8 million decrease in 2018, or 2.5%. This decline reflects some Alaskans needing to tighten their budget in terms of discretionary spending. Our credit union believes in always serving our members in the areas they need most, and in response to this need, we are committed to providing even more affordable and accessible financing to Alaskans in 2019. At the end of 2018, we launched a pilot program to make Credit Union 1 auto lending available at select Alaskan dealerships, thereby removing friction from the auto financing process so that our members can more easily obtain the

vehicle loans they need. The credit union's ongoing dedication to responsible lending practices continues to play a critical role toward our members' life goals, and it contributed to notable overall income and stability during 2018.

Credit Union 1's Member Assistance team continued to take outstanding measures in 2018 to share #CU1LUV and support Alaskans who may be struggling financially. Thanks to their efforts, we're happy to report that the credit union continues to have a low ratio of delinquent loans in its portfolio, 0.59% as of December 31, 2018. Loan charge-offs as a percentage of average outstanding loans was 1.48% in 2018, which is a decrease from 2017. Total net charge-offs decreased 33.4% from the previous year, which is a testament to uniquely strong relationships between our credit union and those we serve. When Credit Union 1 members are most in need, we're always here to help.

You may have also heard our announcement to launch a Marijuana Related Business (MRB) pilot program in 2019, which will provide much-needed service to an underserved group in Alaska and help solve a community safety issue. We remain devoted to the well-being of all Alaskans, which distinctly sets us apart from your other financial options in this state. When Alaskans express a need, we make it our #CU1LUV mission to help bridge the gap. In that vein, we're also honored to have devoted immense resources and assistance to Alaska's federal employees who were affected by the government shutdown, to Southcentral earthquake victims in need of relief, and to 141 new Credit Union 1 employees whose careers we helped launch in 2018. We #CU1LUV each and every one of our fellow Alaskans, and we look forward to further connecting with you in the coming year.



Julia Mitchell
SUPERVISORY COMMITTEE CHAIR

Noel Rea
SECRETARY

Ross Risvold
MEMBER

Diamond Redmond
MEMBER

Jeff Wood
MEMBER

SUPERVISORY COMMITTEE REPORT

Credit Union 1's Supervisory Committee (the "Committee") is appointed by our Board of Directors and is responsible for ensuring the financial statements of the credit union are accurately and fairly presented by management. The Committee has the responsibility of providing an independent appraisal of the safety and soundness of the activities of the credit union to ensure that operational practices and procedures are sufficient to safeguard our members' assets. These duties are required by federal and state regulations. The Committee also assists the Credit Union 1 Board of Directors in fulfilling its oversight. The State of Alaska statutes summarize the Committee's responsibilities 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.

In carrying out this responsibility, the Committee i) oversees the Internal Audit Department, which reports functionally to the Committee and administratively to the President/CEO of Credit Union 1; ii) monitors the policies established by the Board of Directors and ensures compliance with them; iii) evaluates the adequacy and effectiveness of the system of internal controls established by Credit Union 1 management; and iv) investigates and responds to written member inquiries referred to the Committee. The Committee appoints an

independent certified public accounting firm and reviews the policies and procedures for the audit engagement, including its scope, fees, and auditor independence matters. The Committee itself does not prepare financial statements or perform audits, and its members are not the certifiers or auditors of Credit Union 1 financial statements.

The Committee engaged the independent certified public accounting firm of CliftonLarsonAllen LLP to render an opinion as to whether the Credit Union 1 financial statements for the period October 1, 2017 through December 31, 2018 are fairly presented in all material respects. CliftonLarsonAllen LLP completed their audit, which was performed in accordance with generally accepted auditing standards, and issued an unqualified opinion.

As further explanation of our audit timeline, for purposes of this 2018 annual report we changed the fiscal year end from September 30 to December 31 to align audit reporting with calendar year end. This fiscal year change resulted in the credit union presenting financial results of its operations for 15 months, as opposed to the more customary 12 months.

The Committee reviewed and discussed Credit Union 1's 2018 audited financial statements with CliftonLarsonAllen LLP, the credit union's Vice President Chief Audit Executive Pat Berry, President/CEO James Wileman and Chief Financial Officer Chad Bostick. The Committee believes that appropriate internal controls are in place at Credit Union 1 and that the 2018 financial statements accurately reflect the strong financial position of the credit union.

“WE JUDGE OUR SUCCESS NOT STRICTLY BY THE NUMBERS YOU SEE IN THIS ANNUAL REPORT, BUT BY THE EMOTIONAL IMPACT THAT OUR EFFORTS HAVE MADE ON YOUR LIFE.”

- James Wileman
President/CEO



Jennifer Bernard
TREASURER

TREASURER'S REPORT

As of December 31, 2018, Credit Union 1's total assets had grown to \$1,052,284,549. This growth corresponded with an increase in member deposits, which increased to \$904,494,557.

NET INCOME FOR THE 15 MONTHS THAT ENDED DECEMBER 31, 2018 WAS \$11.96 MILLION – AND BECAUSE WE #CUTLUV OUR FELLOW ALASKANS, 100% OF THIS INCOME IS RECYCLED TOWARD LOWER LOAN INTEREST RATES, HIGHER DIVIDENDS, MORE REWARDS AND FEWER FEES FOR CREDIT UNION 1 MEMBERS LIKE YOU!

Income earned by a financial institution is measured as a percentage of total assets. For the 15 months that ended December 31, 2018, Credit Union 1's return on average assets was 1.16%. These earnings have helped build equity within the institution and secure our ability to serve the long-term needs of our members. Equity also insulates and protects the credit union during periods of economic downturn, so that we can best serve our members when they experience difficult financial times. When local and national economies fluctuate, our credit union is well-positioned to navigate these changes while providing the financial support that our members rely on in times of need.

At the end of 2018, the credit union's equity (or "capital") was 12.61% of total assets, as reported in our audited financial statements. As such, Credit Union 1 is designated as "well-capitalized" by the National Credit Union Administration (NCUA). Credit Union 1 members directly benefit from our "well-capitalized" designation, because it allows us to expand services, upgrade facilities, maintain a strong workforce and enhance products and services in support of our uniquely Alaskan membership.

FINANCIAL STATEMENT

(AUDITED IN THOUSANDS)

ASSETS	2018
Cash and Cash Equivalents	\$106,668
Certificates of Deposit	\$5,224
Investments	\$96,240
Loans (Net)	\$768,505
Fixed Assets (Net)	\$34,497
Other (Assets)	\$41,151
Total	\$1,052,285

TOTAL LIABILITIES AND MEMBERS' EQUITY	2018
Members' Shares	\$904,495
Liabilities	\$18,104
Members' Equity	\$129,686
Total	\$1,052,285

INCOME STATEMENT	2018
Loans	\$47,167
Investments	\$4,546
Interest Income	\$51,713
Dividends & Interest Expense	\$3,678
Net Interest Income Before Provision for Loan Losses	\$48,035
Provision for Loan Losses	\$6,214
Net Interest Income	\$41,821
Operating Income	\$32,095
Operating Expense	\$61,956
Net Income	\$11,960

THE People First PRINCIPLES ^{OF} #CU1LUV Guide EVERYTHING WE DO AT CU1

In 2018, Credit Union 1 fundraised and
DONATED OVER \$264,000
in charitable funds to Alaskans in need.

Credit Union 1's Leading Change Fund
RAISED \$127,731
for communities across our state.

Through the Uplifting Others Fund, we
DISPERSED \$63,855
to specific individuals whose food, shelter or health was at risk.

Credit Union 1 employees
VOLUNTEERED 6,066 HOURS
of their own time toward Alaskan organizations and causes.

IN THE COMING YEAR, CREDIT UNION 1 IS COMMITTED
TO DOING EVEN MORE GOOD ACROSS ALASKA.

Thank you for your ongoing support!



CREDIT UNION

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BOARD OF DIRECTORS

Colin Baxter, Chair
Steve Cavin, Vice Chair
Damien Stella, Secretary
Jennifer Bernard, Treasurer
Joe Towslee, Director
Marietta “Ed” Hall, Director
Andre Horton, Director

SUPERVISORY COMMITTEE

Yuliya Mitchell, Chair
Noel Rea, Secretary
Ross Risvold, Member
Diamond Redmond, Member
Jeff Wood, Member

EXECUTIVE MANAGEMENT

James Wileman, President/CEO
Rachel Langtry, Chief Operating Officer
Chad Bostick, Chief Financial Officer
Davina Napier, Chief Lending Officer
Chrissy Bell, Chief Culture Officer
Mark Burgess, Chief Technology Officer

1941 Abbott Road, Anchorage, AK 99507 • (907) 339-9485 • (800) 478-2222 • cu1.org

NMLS #537375

