

CreditUnion1

2022 ANNUAL REPORT

CreditUnion1

OUR VISION

To be THE financial institution that drives family and community success.

OUR MISSION

To exceed your expectations in our delivery of innovative financial solutions to help you achieve your maximum economic potential.

OUR CORE VALUES

Be Great. Be Engaged. Be Open. Be Nice.

TABLE OF CONTENTS

Chairman's Report 3

President's Report..... 4 & 5

2022 Year in Review 6

Community Investment..... 7

CU1 At a Glance..... 8

Financials..... 9 & 10

Executive Team & Board of Directors 11





Chairman's Report

Bob Eberhardt, Chairman

While we've seen COVID-19 take a bit of a back seat in the news recently, 2022 faced its own economic concerns. For the past decade, we've seen very modest inflation (an average around 2%), only see it grow in excess of 7% in late-2022. In response to growing inflation, the

Federal Reserve increased its rate 7 times this past year – a target rate from near 0% to 4.50%.

These rate increases translate directly to tightening in borrowing, as 30-year fixed mortgages and auto loan rates are at levels not seen in decades. While this brings challenges to the financial services industry, Credit Union 1 weathered the storm and experienced another very strong year.

Here are a couple of examples:

- As I mentioned last year, our goal, first and foremost, is to serve our members and to continue to grow your Credit Union. In focusing on that mission:
- We made a significant investment last year in our core technology and we are continuing to leverage that technology – bringing a better experience to our members and technology our employees require to be more productive. All this while we employ state-of-the-art data security to protect your data and assets.
- We welcomed new members through our mergers with SourceOne Credit Union (Chicago), Western Illinois Credit Union (Macomb) and most recently, Emory Alliance Credit Union (Atlanta, GA). The latter two continue to strengthen our relationships with universities, and the Emory Alliance merger expands our geographic footprint into the Southeast.
- Last year I mentioned our partnership with the University of Notre Dame Athletics. I'm happy to report that relationship continues to grow, as we now have a branch open near the campus and as the official sponsor of Notre Dame's 2022 Shamrock Series football game in Las Vegas, we received tremendous exposure with our membership base in Nevada.
- With slower lending in 1st mortgages, commercial

lending has been a great diversification to our lending platform. What began in late-2020 with a portfolio of \$50 million, has since grown to over \$440 million on our books; with just under \$1 billion we service, which includes commercial loan participations.

As we look ahead to 2023, we will continue to aggressively pursue opportunities that will assist in growing the business. While we need to grow and prosper, we also need the trust of membership and that weighs heavily on being a fiscally sound and member-oriented financial institution. We once again received high ratings from our examiners; in fact some of the highest rating that can be bestowed upon a bank or credit union by banking supervisory regulators.

As I wrap up, I would like to extend a sincere THANK YOU to Dan Ricci on his retirement from the Board. As many of you know, Dan chaired the Board before me and provided over 40 years of service to the Credit Union.

Finally, I would like to thank my fellow Board Members, Todd and his entire management team. The Board brings a passion to continue to serve our members and set the strategic vision, while the management team looks for opportunities and executes against them. And the employees – they continue to be the face of this great organization, that I'm so proud to be a part of. It's through their efforts that we continue to grow and prosper.

Thank you, the 90,000+ members, for the trust you have placed in us. If it wasn't for you, there would be no Credit Union 1. May we all have a healthy and prosperous 2023.



President's Report

Todd R. Gunderson, CEO/President

As we reflect on the past year, we are excited to share with you the accomplishments and accolades that made 2022 a success. No annual report can truly capture all of last years' efforts. What we hope you take away from the report is that every employee and board member of Credit Union 1 (CU1) takes tremendous pride in serving our member-owners, team members, and communities to the best of our ability. While we believe we served those groups well in 2022, there is no doubt that our success is dependent on the contributions of the very people we strive to serve. I would like to thank all Credit Union 1 members for their continued loyal support, as well as the ongoing dedication from our Board of Directors, CU1 Executive Team, and many amazing team members. Together, we made 2022 a banner year for Credit Union 1.

Our CU1 team is the finest group I have ever had the pleasure of working with, and that was never more apparent than in 2022. They are passionate about the service they provide and have been tireless in their contributions. They have dedicated themselves to providing the highest level of service to our now 104,679 members and continue to come forward with ideas to improve each day. And CU1 is grateful to each of the communities we serve, who have welcomed us with open arms just as fully as we have embraced our role to support these markets financially and through volunteerism, living out the CU1 vision, "to be the financial institution that drives family and community success."

This year CU1 added new communities and members through three mergers: the first based in Chicago (SourceOne Credit Union); the second in Macomb, Illinois (Western Illinois Credit Union, WICU); the third, completed at year-end, in the greater Atlanta metropolitan area (Emory Alliance Credit Union, EACU). Through the combined mergers, CU1 gained 30,000 members, 40 team members, \$20 million in

capital, and \$250 million in asset size. Each of these financial and staffing gains helps our membership base because they help CU1 become more operationally efficient, reduce costs, and expand our geographic footprint. It makes us an even stronger, more financially secure Credit Union 1.

“... they help CU1 become more operationally efficient, reduce costs, and expand our geographic footprint.”

The WICU and EACU mergers also demonstrate CU1's continued commitment to partnering with membership bases tied to universities and colleges that provide higher education opportunities to our members. These mergers add to our strong existing partnerships with University of Illinois Chicago and as the Official Banking Partner of Notre Dame Athletics.

President's Report

Todd R. Gunderson, CEO/President

Credit Union 1 thrived in 2022. While there are many ways to measure success, one strong indicator of performance is membership growth. We are pleased to report that—even with all the financial institution options available to our members—it was a record-setting year for new member-owners. Our membership growth rate as a percentage is among the top 5% compared to all credit unions nationwide.

The beginning of 2022 saw interest rates at near record lows and a prime rate at 3.25%, only to then have rates increase faster than any other time in history—ending the year at 7.5%. While the larger banks were losing over \$500 billion in deposits throughout the year, CU1 gained nearly \$304 million in deposit growth by offering outstanding deposit rates that grew at the same speed as the prime rate. This was led by our CU1 High-Yield Savings Account (HYSA), which had 85% deposit growth—\$67 million greater than the previous year. Our role as the Official Banking Partner of Notre Dame Athletics also created deposit growth of 240% as members chose the opportunity to express their affiliation with the Notre Dame affinity debit card.

CU1 has never been in a stronger position financially. And our operations and services continue to evolve and impress as team members and CU1 members alike have embraced a “new normal” of working and banking from home, with hybrid scenarios supporting the call center and branches as our members start to return to work and once again fill office space. As the country continues to evolve post-pandemic, our credit union is not only poised to withstand even the worst projections of inflation for the year ahead but feel that, due to our flexibility and adaptability, we can excel during the times when members will need us most.

CU1 loan portfolio growth was 63% as we extended \$945 Million in loans to our members throughout

the year—an increase of 3% and \$27.7 Million from the 2021 year. The additional loan interest income helped CU1 achieve a strong net income amount for 2022, bringing net capital rate—or our rainy-day fund—up to 8.24% of assets. This keeps CU1 well in excess of what regulators call a well-capitalized credit union, defined as 7% net capital.

Looking toward 2023, we are excited about the new technology put into action in 2022 that will continue to make CU1 a more efficient financial institution. Through an investment in the latest banking technology, we are committed to improving our members' user experience for every interaction online, on the phone, and in person. While we strive to be current with the latest technologies our members require, that will always be backed by exceptional service directly from our CU1 team members. Great humans, great technology—we believe this is the reality of an ever-evolving service platform and one we must provide our CU1 membership base each day.

Your support is deeply appreciated. The outstanding success of Credit Union 1 is only achieved through the loyalty and support that you, the members, have given us over the years. We look forward to exceeding your financial needs in 2023 and beyond.

2022 YEAR IN REVIEW

The goal for CU1 is to serve our members and continue to grow *your* credit union. In response to growing inflation, the Federal Reserve increased the federal funds rate multiple times in 2022. While these increases brought challenges to the financial services industry, CU1 adjusted our strategy and experienced another very strong year. We are grateful that over **100,000** members have chosen CU1 to serve their financial needs and thank you for your business. Here are a few figures we would like to callout for 2022.

\$9.9 M

TOTAL FINANCIAL
BENEFIT TO MEMBERS*

\$1.6 B

TOTAL ASSETS

62,240

DIGITAL
BANKING USERS

**4.25%
APY¹**

24 Month Share Certificate

HIGHEST SHARE
RATE CU1 OFFERED

7

NUMBER OF TIMES THE
FEDERAL RESERVE RAISED
FEDERAL FUNDS RATE

104,679

TOTAL NUMBER
OF MEMBERS

3

SourceOne Credit Union, Western Illinois
Credit Union, Emory Alliance Credit Union

TOTAL NUMBER OF
COMPLETED MERGERS

¹APY= Annual Percentage Yield. Fees could reduce earnings on the account. Rates are subject to change without notice. The rate may change after the account is opened.

* Direct financial benefits to members during the 12 months ending December 2021 as defined in the CUNA Membership Benefits Report for Credit Union 1.

COMMUNITY INVESTMENT

Credit Union 1 proudly supports numerous organizations throughout the year to help improve our communities.

As an official UIC Banking Partner, we have committed \$750,000 in scholarship money over the duration of our partnership. The Credit Union 1 Scholarship gives high-achieving students access to a University of Illinois at Chicago education, helping transform the lives of UIC students, and in turn, the greater Chicago community. Congratulations to the 2022 Credit Union 1 Scholarship recipients.

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Intercollegiate Athletics Scholarship

To Be Announced

College of Business Scholarship

Merin B. - Sophomore, Accounting
Tristan E. - Junior, Management
Montaser T. - Senior, Accounting
Ali S. - Senior, Finance

College of Engineering Scholarships

To Be Announced

College of Medicine Scholarship

To Be Announced



In 2022, we announced our partnership with the Golic Family Foundation, a charitable organization started by notable Notre Dame alumnus, former NFL player and veteran sportscaster Mike Golic and his family. Together, CU1 and the Golic Family Foundation plan to offer \$100,000 in grants to local nonprofits serving the South Bend community and beyond in 2023.

CreditUnion1

AT A GLANCE

362

Total Number
of Employees

Employment
applications
received in 2022

8,613

13

Paid
Holidays

Organization Gender Makeup

28%
Male

72%
Female

Organization Culture Diversity

- 52% Caucasian
- 22% Hispanic
- 19% African American
- 4% Asian
- 3% Other

Employees with
5+ years of service

143

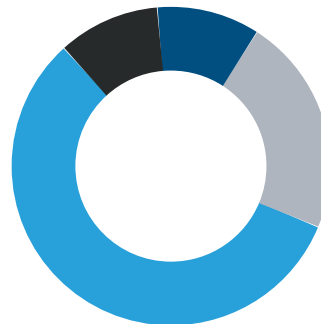
109 Team Members
Hired in 2022

**TOP
WORK
PLACES
2022**

5,288

Credit Unions in
the United States

Organization
Generations



- Baby Boomer
- Gen X
- Millennials
- Gen Z

Chicago Tribune

LAS VEGAS
REVIEW-JOURNAL
BUSINESS PRESS

FINANCIALS

Statements of Financial Condition

December 31, 2022 & 2021 (unaudited)

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash & Cash Equivalents	\$54,268,941	\$264,456,159
Interest-bearing Time Deposits	14,578,707	24,595,000
Equity Securities	0	0
Securities Held-to-maturity	70,667,789	39,477,467
Loans to members	1,338,621,843	820,643,744
Allowance for Loan Loss	(6,379,910)	(7,993,490)
Premises & Equipment, net	25,253,121	22,939,606
Accrued Interest Receivable	4,651,176	3,208,473
Other Assets	<u>84,316,724</u>	<u>59,462,474</u>
TOTAL ASSETS	<u><u>\$1,585,978,392</u></u>	<u><u>\$1,226,789,433</u></u>
LIABILITIES & MEMBERS' EQUITY		
Liabilities		
Accounts Payable & Accrued Liabilities	\$45,104,710	\$29,089,903
Accrued Dividend & Interest Payable	128,865	36,683
Borrowed Funds	<u>70,000,000</u>	<u>55,000,000</u>
Total Liabilities	115,233,575	84,126,586
Members' Equity		
Members' Shares	1,340,127,296	1,035,771,603
Reserves & Undivided Earnings	<u>130,617,521</u>	<u>106,891,244</u>
Total Members' Equity	<u>1,470,744,817</u>	<u>1,142,662,847</u>
TOTAL LIABILITIES & MEMBERS' EQUITY	<u><u>\$1,585,978,392</u></u>	<u><u>\$1,226,789,433</u></u>
Net Worth Capital Ratio:	8.24%	8.71%

FINANCIALS

Statements of Income

Years Ended December 31, 2022 & 2021 (unaudited)

	<u>2022</u>	<u>2021</u>
INTEREST INCOME		
Interest on Loans	\$47,263,470	\$34,183,025
Interest on Securities	2,583,102	2,161,179
Total Interest Income	49,846,572	36,344,203
Interest Expense on Borrowed Funds	2,310,903	433,732
Interest Expense on Members' Share Accounts	4,676,092	2,510,457
Net Interest Income Before Provision for Loan Losses	42,859,577	33,400,014
Provision for Loan Losses	576,230	945,416
Net Interest Income After Provision for Loan Losses	42,283,347	32,454,598
NON-INTEREST INCOME		
Fee Income	10,709,857	10,127,057
Non-Operating Gains/(Losses)	870,449	7,534,991
Other Income	12,795,023	19,268,677
Total Non-interest Income	24,375,329	36,930,725
NON-INTEREST EXPENSE		
Salaries & Fringe Benefits	32,316,855	31,060,847
Travel & Conference Expense	988,034	651,110
Office Occupancy Expense	4,422,803	3,734,316
Office Operations Expense	9,569,084	7,685,669
Educational & Promotional Expense	1,130,957	5,697,669
Loan Servicing Expense	4,935,001	4,341,474
Professional & Outside Services	2,863,472	1,421,443
Operating Fees	44,904	119,483
Miscellaneous Operating Fees	517,868	885,059
Total Non-interest Expense	56,788,977	55,597,069
NET INCOME	\$9,869,699	\$13,788,254

EXECUTIVE TEAM

Todd Gunderson, **President/CEO**

Michael Hirt, **SVP/CTO**

Scott McDonald, **EVP/CFO**

Sue Heyen, **SVP/CHRO**

Paul Fichter, **EVP/CLO**

Kevin Allen, **SVP/CSO**

Jeff Rothmeyer, **SVP/CLO**

Michael Eck, **CMO**

BOARD OF DIRECTORS

Bob Eberhardt, **Chairman**

Daniel Long, **Director**

Thomas Wells Jr., **Interim Vice
Chairman, Secretary**

Rex Tolliver, **Director**

Todd Gunderson, **Treasurer**

Hallie Olson, **Director**

Paul Simons, **Director**

David Thurston, **Director**

Kent Yager, **Director**



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