

CreditUnion1

**2019
Annual Report**

Chairman's Report



As Benjamin Franklin once said, “Without continual growth and progress, such words as improvement, achievement and success have no meaning.” As we reflect on 2019, I am excited to share with you the continued growth, progress, improvement, achievement and success we accomplished. As you have seen, Credit Union 1 is committed to continually improving your credit union in order to stay true to our Vision to be THE financial institution that drives family and community success.

In January 2019, we launched our new and improved website enhancing the user experience with features like Live Chat, Online Payment Portal, Financial Literacy and Identity Theft Education resources. We also launched a new Online Account Opening program and a new Online Mortgage Application creating an industry leading user experience. In August, we were very excited to bring our members an upgraded Online Banking/ Mobile Banking platform with new technology, advanced features and more security.

2019 saw the expansion of our Products and Services with the addition of a High Yield savings account, Business Banking solutions, integration of Google and Samsung Pay and Credit Cards all now earning rewards. We created a new look and updated branding: Debit and Credit Card designs were refreshed, our fleet of ATMs received a facelift, and our branch location on Halsted St. in Chicago now has the feel of being inside Credit Union 1 Arena.

We helped more members than ever buy or refinance a home with our mortgage loans increasing over 240% from 2018. Credit Union 1 also financed over \$2.8 million more in Auto Loans in 2019 than 2018 increasing member savings with our lower loan rates. To better serve our members we added a new Call Center in Nevada to handle increased member call volume.

In November, Paul Simons announced his retirement effective end of the 2019 year. Paul has been a great leader, a tremendous asset to Credit Union 1

during his 32 years, and we are thankful for everything he has done. Mr. Simons will continue to serve on the Board of Directors. The Board of Directors was pleased to announce Todd Gunderson as the new President/CEO of Credit Union 1 effective January 1, 2020. Prior to being named President/CEO, Todd served as the Executive Vice President and Chief Operating Officer at Credit Union 1. Todd is the right person to lead the credit union in our next chapter. The Board is impressed by his leadership around innovation and change, which is critical in today's landscape.

As we move into 2020, our focus will be on what we value most – you, our members. You will see another year of increased member experience as we look to upgrade our technology platform to create the ability for more transactions and loans to be completed online and on mobile devices, as well continue to invest in our combat to beat away the cyber criminals and keep our member data safe.

I want to express my sincere gratitude to my fellow Board Members, to our President, to our Executive team, and to our staff for their diligent and dedicated service in maintaining a healthy and prosperous organization. Their supporting efforts and excellent service to you the member, are essential to our continuing success.

As our organization continues to evolve, I am pleased with our accomplishments and remain proud to be a member of Credit Union 1. Our board, management and staff are honored to serve our membership and communities. Credit Union 1 can say with confidence that we continue to be a strong and successful financial institution because of each one of our members. We know you have choices, and we appreciate you choosing to be a member of Credit Union 1.



Dan Ricci, Chairman

President's Report



Thank you for the loyal support of all Credit Union 1 members, the continued dedication from our Board of Directors, CU1 Executive Team and many amazing team members for making 2019 a banner year for Credit Union 1. (CU1) I am humbled, honored and excited to have been selected as the new President/CEO of Credit Union 1 to carry forward this era of excellence.

This past year of 2019 saw continued growth for the economy, the stock market reaching record heights and unemployment at historic lows for the country. The year also saw the Federal Reserve reverse course on their hike of short-term interest rates of the previous year by lowering rates in 2019 on three different occasions causing previously high savings rates to be diminished by upwards of 75 basis points. The Fed rate drops continued to drive large volumes of new home starts as well as consumers looking to refinance existing higher rate mortgages.

CU1 prosperity followed the same performance levels of the red-hot economy with member loan demand up 20.6% over last year, or approximately \$100 million in loans, growing the overall loan portfolio to just over \$600 million dollars.

As you might expect with the lower rates and multiple rate decreases from the Federal Reserve, the mortgage loan volume created the largest share of the loan portfolio growth, originating over \$120 million in mortgage loans for the first time.

Even with the robust lending that took place, or in some cases because of it, CU1 saw a significant increase in the deposit base, growing total deposits over \$115 million dollars, ending the year at just shy of \$860 Million in deposits. Our newly introduced High Yield Savings Account (HYSA), designed to compete with the high yield online saving accounts that are offered, saw CU1 members make deposits of over \$50 million in that new HYSA product. As the year progressed and the Federal Reserve lowered rates, CU1 did so as well staying in lock

step with the Federal Reserve, while still offering market high saving rates in many of our products

As CU1 continued loan growth and increased operating efficiencies it was able achieve record net income for the 2019 year, bringing net capital rate or our rainy-day fund up to 9.30% of assets. This keeps CU1 well in excess of what regulators call a well-capitalized credit union, defined as 7% net capital.

Looking toward 2020 we are excited about new technologies that will continue to make CU1 a more efficient financial institution while at the same time provide a new interactive, intuitive application process that will make the member mortgage, consumer loan and credit card process a quick seamless experience that can be completed on any mobile device or desktop, or start and stop on both at the same time with or without CU1 team member help. We believe these are the technology items that our membership come to expect in the Google, Amazon technology environment that we are all a part of each day.

Being a member-owned and controlled financial institution CU1 is constantly evaluating our product offerings and rates in ways that help our members exceed their financial goals. We expect to do the same this year with improved signature loan rates and a new Credit Card Platform that will provide more options designed to meet each members' individual needs.

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. Your support is deeply appreciated, and we look forward to exceeding your financial needs in 2020 and beyond.



Todd R. Gunderson, President/CEO

Credit Union 1 Members saved

\$8,132,754

during the 12 months ending September 2019

*Source: Datatrac, NCUA, and CUNA. Rates and fees as of 12/20/2019.

Statements of Financial Condition



December 31, 2019
(unaudited)

ASSETS	<u>2019</u>	<u>2018</u>
Cash & Cash Equivalents	\$68,286,343	\$39,312,045
Interest-bearing Time Deposits	67,642,000	70,001,000
Securities Held-to-maturity	156,210,011	189,090,599
Loans to members	626,966,975	509,145,002
Allowance for Loan Loss	(4,559,423)	(4,263,602)
Premises & Equipment	18,789,004	18,826,816
Accrued Interest Receivable	2,419,497	2,356,318
Other Assets	22,877,293	20,825,373
TOTAL ASSETS	<u>\$958,631,700</u>	<u>\$845,293,551</u>

LIABILITIES & MEMBERS' EQUITY

Liabilities

Accounts Payable & Accrued Liabilities	\$9,506,970	\$6,329,089
Accrued Dividend Payable	—	—
Borrowed Funds	—	—
Total Liabilities	<u>9,506,970</u>	<u>6,329,089</u>

Members' Equity

Members' Shares	859,950,202	757,811,552
Reserves & Undivided Earnings	89,174,528	81,152,910
Total Members' Equity	<u>949,124,730</u>	<u>838,964,462</u>
TOTAL LIABILITIES & MEMBERS' EQUITY	<u>\$958,631,700</u>	<u>\$845,293,551</u>

Net Worth Capital Ratio: 9.30% 9.60%





Statements of Income

Years Ended December 31, 2019
(unaudited)

	<u>2019</u>	<u>2018</u>
INTEREST INCOME		
Interest on Loans	\$26,958,925	\$22,084,098
Interest on Securities	11,981,605	11,226,951
Total Interest Income	38,940,530	33,311,049
Interest Expense on Borrowed Funds	5,160,913	4,951,776
Interest Expense on Members' Share Accounts	5,132,945	3,390,484
Net Interest Income Before Provision for Loan Losses	28,646,672	24,968,789
Provision for Loan Losses	3,119,851	2,201,735
Net Interest Income After Provision for Loan Losses	25,526,821	22,767,054
NONINTEREST INCOME		
Fee Income	10,822,223	10,030,933
Other Operating Income	9,866,613	7,185,375
Total Noninterest Income	20,688,836	17,216,308
NONINTEREST EXPENSE		
Salaries & Fringe Benefits	22,442,285	18,981,681
Travel & Conference Expense	667,156	471,999
Office Occupancy Expense	3,453,491	3,409,325
Office Operations Expense	6,528,102	6,733,766
Educational & Promotional Expenses	1,605,271	694,935
Loan Servicing Expense	1,854,296	2,157,296
Professional & Outside Services	1,065,140	800,744
Operating Fees	125,742	81,082
Miscellaneous Operating Fees	452,556	267,265
Total Noninterest Expense	38,194,039	33,598,093
NET INCOME	\$8,021,618	\$6,385,269

Board of Directors

Daniel Ricci	Chairman
Robert Larson	Vice Chairman
Paul Simons	Treasurer
Thomas Wells Jr	Secretary
Joseph Lyons	Director
David Scott	Director
Robert Eberhardt	Director
Kent Yager	Director

Executive Team

President/CEO	Todd Gunderson
CLO	Brenda Crane
CFO	Rich Broaddus
CTO	Michael Hirt
CAO	Scott McDonald
General Counsel	Paul Fichter
SVP Human Resources	Sue Heyen
SVP Member Solutions	Kevin Allen

creditunion1.org | 800.252.6950

YOUR SAVINGS INSURED TO \$250,000 PER ACCOUNT



AMERICAN SHARE INSURANCE

By members' choice, this institution is not federally insured.



EQUAL HOUSING
OPPORTUNITY