



2018 ANNUAL REPORT

It is refreshing to know that the simplicity of people helping people has been the heart of Credit Union ONE remaining relevant and delivering value to our members through the decades.

Our 2018 performance demonstrates that we remain as committed to helping members today as the organizers were in 1938.



Board Chairman and President/CEO Message

During this past year, Credit Union ONE unexpectedly and tragically lost one of our teammates. Steve Shier was a 20-plus-year employee known by everyone for his quick wit, kindness and constant positivity. Steve's commitment to our values and members is a legacy that proves leadership is not derived from a job title, but from conduct and action. This Annual Report is dedicated to Steve's leadership and his lasting, positive impact on our organization.

In 2018, we reached the milestone of serving members for 80 years. As we reflect on this longevity, we cannot help but compare how dramatically different the financial services landscape is today. The small group of people that pooled \$54 to organize the credit union could never have imagined that during the next 80 years it would grow to \$1.2 billion in assets and have over 125,000 members in all 50 states. At the same time, we do believe they could foresee that "people helping people" would be an enduring philosophy and foundational to our success.

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Member Value

We measure member value through service-level metrics, surveys and other forms of feedback. During 2018, we met or exceeded all service-level metrics in every delivery channel each month of the year. We continue to exceed our peer group in members that consider Credit Union ONE their primary financial institution and indicate they are "members for life." Member satisfaction, overall and by delivery channel, remained strong, with all areas exceeding 90%. Delivery of value was independently confirmed as Credit Union ONE was recognized with the prestigious Forbes Best-in-State award as among the top credit unions in the nation.

During 2018, members received a record return of \$5.1 million in rewards, cash and dividends. We ended the year with the highest-ever average savings and loans per member in our history. For the third consecutive year, digital services experienced double-digit growth. A new credit card program was launched, and the growth in accounts and balances exceeded goals. Our contact center handled over 300,000 contacts while meeting industry standards for service excellence. Behind the scenes, our cybersecurity posture was reinforced and fortified as part of our 24/7 efforts to maintain a safe and secure environment.

Employee Commitment

High levels of member satisfaction are the direct result of a great team living our Core Values every day. In 2018, we continued to invest in development and growth at all levels of our organization. Internal service surveys that allow employees to rate the level of service provided by peer departments reached all-time highs. A shift to quarterly coaching reviews focused on development were fully implemented, and the results are seen in improvements in member satisfaction. An independent employee survey indicated Credit Union ONE is a top performer in all areas surveyed. Among the positive results, we highlight that 97% of employees indicated they are proud to work for Credit Union ONE and feel good about its reputation in our community, and we again achieved a near-perfect 98% internal cultural diversity score from employees.

Financial Strength

We ended 2018 in the strongest financial condition and performance in our history. Net income was a record \$10.8 million. During the year, members borrowed \$333.5 million, and our loan portfolio grew to \$880.8 million. Members took advantage of our higher rates, which led to \$36.4 million in deposit growth. Total deposits at year's end were \$1.04 billion.

Member equity improved to a record \$111.4 million. When measured as a net worth ratio (capital/assets), we ended the year at 9.35%. This is well above the required regulatory minimum of 7.0%. Our positive financial results were validated with a five-star rating from Bauer Financial.

(continued)

Giving Back

In 2018, we continued our commitment to our community and various organizations that support our community. Credit Union ONE sponsored 66 community events, and we had 306 employees/board members participate in various volunteer opportunities throughout the year. We awarded scholarships to members entering college and to those continuing their education. Our popular “shred days” were held again in 2018. We securely shredded almost 15 tons of paper that members brought to branches.

Exciting Future

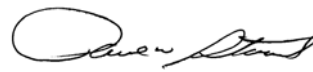
The level of participation by members and the positive financial results create opportunities to invest in our future and our members. In 2019, we embark on a new five-year strategic plan that focuses on what we call the “ONE Experience” that seeks to increase our relevance and improve the value we deliver. A new debit card processor will be implemented to improve delivery and lower costs. Finally, we are likely to complete a major overhaul and update to our online and mobile banking platform. Again, these investments in your credit union and in you as members cannot happen without your participation.

During 2019, we will complete the acquisition of Hantz Bank. We will welcome 8,000 new members and more than 60 new employees, and add additional branch locations, including an expansion into Ohio. As a result of this major transaction, Credit Union ONE will gain growth opportunities through commercial lending, including the availability of SBA loans, improved and expanded mortgage lending, and entry into new markets.

Thank You

As we reflect on 80 years of service, it is fitting that 2018 was such a successful year. The basic philosophy of people helping people that was part of our humble beginnings has endured the decades and is what has positioned Credit Union ONE as a nationally recognized top performer. It is not lost on our organization that as a cooperative, we are only as strong as our members’ participation in the cooperative. Your participation in Credit Union ONE is the driving force of our success, and we thank you for the confidence and trust you place in our team and our organization. On behalf of our incredibly talented team and Board of Directors, we pledge our best efforts to earn your patronage with every interaction. We value your membership and thank you for making Credit Union ONE your credit union.

Paul Stuart
Chairman of the Board



Gary A. Moody
President and CEO



Audit Committee Message

The Audit Committee is a standing committee of the Board of Directors. The role of the committee is to assist the board in monitoring:

- The internal controls over financial reporting and audits of the credit union's financial statements;
- The qualifications and independence of auditors and performance of internal auditors;
- Enterprise risk standards;
- Compliance with legal and regulatory requirements; and
- Compliance with board policies and internal controls and procedures.

To this end, the Audit Committee established an annual risk-based internal audit schedule and met quarterly with senior executives and audit professionals to review and receive internal audit reports on various operational areas of the credit union. In addition, we reviewed the credit union's Report of Examination from the annual examination conducted by the Michigan Department of Insurance and Financial Services and the National Credit Union Administration. On behalf of the Committee, we are pleased to report that there were no material findings or weaknesses in controls.

The Audit Committee also utilized cybersecurity and audit firms to conduct penetration testing, vulnerability scans and technology control audits. The results of these audits, which we also reported to the Board Technology Committee, confirmed that our team and processes conform to industry standards.

In addition, the Audit Committee engaged the certified public accounting firm Doeren Mayhew to conduct the credit union's 2018 annual audit and verification of members. We are pleased to report there were no material findings or weaknesses in controls. Condensed consolidated financial statements for 2017 and 2018 are provided in this report for your review.

Respectfully,



Dave Prybys
Chairman, Audit Committee

Credit Union ONE: By the Numbers



OUR MEMBER SATISFACTION
CONTINUES TO EXCEED

90%

126,332

TOTAL MEMBERS

PROUDLY SERVING THE
COMMUNITIES OF MICHIGAN FOR

80 years

MEMBER SAVINGS GREW BY

\$36.4 million

ORIGINATED

\$334 million

in loans

TOTAL ASSETS GREW TO

\$1,190,826,264

OUR MEMBERS RECEIVED

\$5.1 million

in dividends and
Cash Back/Loyalty Rewards

RECOGNIZED AMONG

Forbes2018

**BEST-IN-STATE
CREDIT UNIONS**

Powered by STATISTA

Ranked No. 3 in Michigan

Mission Statement

Credit Union ONE is committed to providing exceptional value to its members by delivering outstanding products and services anytime, anywhere.

PURPOSE

To meet our members' financial service needs throughout their lifetimes.

CORE VALUES

Integrity: Uphold the highest standards of conduct in all of our actions.

Respect: Treat people with dignity.

Financial Stewardship: Promote financial safety and soundness.

Member Commitment: Develop relationships that make a positive difference in our members' lives.

Employee Commitment: Value our employees, encourage development, and reward positive performance.

VALUE PROPOSITION

Accessible: Available when it's convenient for me.

They provide me with choices to perform transactions, find information, or receive trusted advice. Every interaction is consistent, secure, and fast, no matter how or when I choose to do my banking.

Easy: Banking that simplifies my life.

They respect my busy life by making banking easy. Everything is simple, clear, and easy to find; there are no surprises.

Meaningful: Solutions that add value.

They engage me to truly understand my needs. Based upon my circumstances, I am offered relevant solutions that add value.

Dedicated: Acts in my best interest.

They act in my best interest, recognize me as a valued member, and sincerely provide great service. I can rely on them if I need help, and I know they will resolve an issue quickly.

Board of Directors



Paul W. Stuart
Chairman



Nickolas Nickolopoulos
Director



Guadalupe G. Lara
Vice Chairwoman



David C. Prybys
Director



Joan Stefanski
Secretary/Treasurer



Ray Redmond
Director



Christine Dowhan-Bailey
Director



Juanita M. Reid
Director



Jan Gillespie
Director



Gail Westover
Director



Rudolph R. Montano, Jr.
Director

Condensed Consolidated Statement of Financial Condition

| | 2018 | 2017 |
|--|-------------------------|-------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 68,545,195 | \$ 45,615,730 |
| Interest-bearing deposits | \$ 2,481,525 | \$ 2,480,891 |
| Investment securities: | | |
| Available-for-sale | \$ 139,098,632 | \$ 163,725,166 |
| FHLB stock | \$ 2,700,000 | \$ 2,700,000 |
| Loans to members, net of allowance for loan losses | \$ 899,450,250 | \$ 860,330,792 |
| Accrued interest receivable | \$ 3,029,088 | \$ 3,038,845 |
| Property and equipment | \$ 30,570,904 | \$ 31,471,170 |
| NCUSIF deposit | \$ 10,499,197 | \$ 10,078,766 |
| Alloya perpetual contributed capital deposit | \$ 1,089,800 | \$ 1,089,800 |
| Investment in CUSO | \$ 3,006,015 | \$ 3,042,762 |
| Investments in life insurance contracts | \$ 19,191,948 | \$ 6,613,690 |
| Other assets | \$ 11,163,710 | \$ 14,636,194 |
| Total Assets | \$ 1,190,826,264 | \$ 1,144,823,806 |
| Liabilities and Members' Equity | | |
| Members' shares and savings accounts | \$ 1,047,970,010 | \$ 1,011,537,020 |
| Borrowed funds | \$ 25,000,000 | \$ 20,000,000 |
| Accrued expenses and other liabilities | \$ 9,031,368 | \$ 14,021,365 |
| Total Liabilities | \$ 1,082,001,378 | \$ 1,045,558,385 |
| Commitments and contingent liabilities | \$ — | \$ — |
| Members' equity — substantially restricted | \$ 108,824,886 | \$ 99,265,421 |
| Total Liabilities and Members' Equity | \$ 1,190,826,264 | \$ 1,144,823,806 |

Consolidated Statement of Earnings

| | 2018 | 2017 |
|--|----------------------|----------------------|
| Interest Income | | |
| Loans receivable | \$ 34,570,279 | \$ 32,263,388 |
| Investment securities | \$ 3,708,417 | \$ 3,353,890 |
| Total Interest Income | \$ 38,278,696 | \$ 35,617,278 |
| Interest Expense | | |
| Interest and dividends on members' shares and savings accounts | \$ 3,087,033 | \$ 2,792,489 |
| Interest on borrowed funds | \$ 478,608 | \$ 88,932 |
| Total Interest Expense | \$ 3,565,641 | \$ 2,881,421 |
| Net Interest Income | \$ 34,713,055 | \$ 32,735,857 |
| Provision for loan losses | \$ 3,371,591 | \$ 6,310,291 |
| Net Interest Income after Provision for Loan Losses | \$ 31,341,464 | \$ 26,425,566 |
| Non-interest Income | | |
| (Loss) gain on disposition of property and equipment | \$ (128,730) | \$ 1,047,610 |
| Gain on sale of Visa stock | \$ 2,332,703 | \$ — |
| Fees and charges | \$ 18,491,759 | \$ 17,431,938 |
| Total Non-Interest Income | \$ 20,695,732 | \$ 18,479,548 |
| Non-interest Expenses | | |
| Compensation and benefits | \$ 20,557,718 | \$ 19,583,081 |
| Office operations | \$ 8,953,990 | \$ 8,835,751 |
| Occupancy | \$ 2,667,632 | \$ 2,579,556 |
| Operating expenses | \$ 9,058,171 | \$ 7,784,250 |
| Total Non-Interest Expenses | \$ 41,237,511 | \$ 38,782,638 |
| Net Earnings | \$ 10,799,685 | \$ 6,122,476 |

The certified public accounting firm of Doeren Mayhew audited, in accordance with auditing standards generally accepted in the United States of America, the statements of financial condition of Credit Union ONE and subsidiaries as of December 31, 2018, and the related statements of earnings, members' equity and cash flows for the years then ended (not presented herein). Complete audited financial statements and footnotes are available for review upon request at our corporate office.

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