

2021

ANNUAL
REPORT

AlaskaUSA[®]
Federal Credit Union



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THE BOARD OF DIRECTORS' AND PRESIDENT'S REPORT

Since it was chartered in 1948, Alaska USA's mission has been to provide financial services to members affordably, conveniently, and professionally. Throughout the credit union's 73 years of operations, it has remained true to its original purpose of providing members a source for low-cost credit and a safe place to save while earning highly competitive interest rates.

STRENGTH IN MEMBERS

2021 was a year of significant challenges—the continuing global pandemic, further actions by the federal government to prevent a deep recession, massive supply chain disruptions, major changes in work force participation and surging inflation. As the credit union represents a vital element in the everyday lives of its members, Alaska USA worked swiftly to ensure we could successfully navigate through a rapidly changing operating environment to ensure individuals and small businesses would be able acquire the things they needed.

Despite all the challenges we experienced in 2021, Alaska USA remained financially strong. In fact, 2021 was one of the most successful years in the credit union's history, as new records were set for membership, deposits, loans, net worth, assets, and net income. At year end, assets totaled \$10.716 billion with net worth of \$971.9 million, and the credit union's membership totaled 711,111.

SUCCESS THROUGH TEAMWORK

As a result of major shifts in consumer behaviors, expectations, and preferences, over the past several years, the credit union focused efforts and resources on digital transformation while continuing to enhance member experience through the branch and contact center delivery channels. These efforts continued to pay off in 2021, as the credit union processed a record 646 million transactions and 101,828 new loans totaling over \$8.534 billion.

As a member-owned cooperative, Alaska USA transfers value to members by providing services more cost effectively than many other financial organizations. To measure the credit union's success in this regard, the value transferred is rigorously calculated based on the dollar benefit Alaska USA members receive from higher rates on deposits, lower loan rates, and lower fees compared to those of competing banking institutions. We are pleased to report that this value transfer to members in 2021 was \$61.56 million, an approximate return of \$86 per member.



PEOPLE HELPING PEOPLE

In addition to returning profits back to the members, Alaska USA is committed to serving the communities in which members live, work, and attend school. Through corporate giving and community support programs, Alaska USA contributed nearly \$650,000 to nonprofit organizations in more than 50 distinct communities. Employees and Alaska USA donated more than \$66,000 to the United Way in 2021, as well as office space for the United Way of Anchorage valued at nearly \$268,000.

Charitable contributions weren't limited to the credit union and its employees; credit union members donated nearly \$200,000 to annual fundraisers coordinated by the Alaska USA Foundation, an organization that directly funds needs-based services to children, veterans, and active-duty members of the armed services. While financial support of nonprofit organizations is incredibly important to the co-operative mission of the credit union, Alaska USA employees in Alaska, Arizona, California, and Washington also volunteered hundreds of hours supporting organizations they are passionate about.





SERVICE FIRST

In terms of service, numerous enhancements were made during the year designed to make the credit union more convenient for members. At year end, the credit union operated 67 branches, which includes eight financial centers in four states as well as a 24/7/365 contact center.

Another way the credit union measures its success in serving members is to conduct regular surveys asking members their opinion about the level of service the credit union provides. This member service survey has been conducted each month for the last 21 years. Even with the challenges we faced in 2021, the survey responses revealed incredibly high levels of member service satisfaction. In addition, the credit union was again selected by consumers as the favorite financial institution in several separate communities that we serve, including the four largest market areas in Alaska.

The credit union exists to serve its members, but we cannot effectively perform that function without each of the skilled and valuable employees that work diligently to make sure members have access to their money. We were inspired by Alaska USA's nearly 2,000 dedicated employees, who continued to serve members through unprecedented adversity, and we want to thank them for their extraordinary efforts.

Lastly, late in 2021, we were excited to announce that Global Credit Union, headquartered in Spokane, Washington, agreed to merge into Alaska USA. The merger, when completed in 2022, will bring an additional 46,000 members and 12 branches, resulting in an even stronger credit union.

We are confident that Alaska USA's experience, sound business philosophies and practices, and strong financial foundation position the credit union to be able to meet the many challenges and opportunities that lie ahead. We are certain that Alaska USA's 74th year of operation will be another year of success in serving members' financial needs. We want to thank the membership for their support and participation in the credit union. We also want to congratulate and thank the volunteer officials and all the employees for their service to members and contributions to Alaska USA in 2021.

Kent B. Berthiaume	Chairman
Ronald E. Lee	Vice Chairman
RaeDene K. Turner	Secretary
Richard F. Hawley	Treasurer
Lorran J. Skinner	Director
Geri M. Wacker	Director
Craig S. Wood	Director
Geoff Lundfelt	President and CEO

Alaska USA reinvests in members by providing better products and services for less.

MEMBERSHIP

711,111

14,185 / 2.04%

INCREASE OVER PRIOR YEAR END

ASSETS TOTALED

\$10.716B

\$931.5 / 9.52%

INCREASE IN MILLIONS OVER PRIOR YEAR END

LOANS TOTALED

\$8.534B

\$1,457 / 20.59%

INCREASE IN MILLIONS OVER PRIOR YEAR END BALANCES

VALUE TRANSFERRED

\$61.56M

\$86.57

AMOUNT PER MEMBER

WE ARE WHERE YOU ARE

The benefits of Alaska USA membership follow you wherever you go.

 **67** BRANCHES IN 4 STATES

 **24/7** MEMBER CALL SUPPORT

 **5,000+** SHARED BRANCHES

 **55,000+** NATIONWIDE SURCHARGE-FREE ATMS

A CREDIT CARD FOR THE COMMUNITY

In 2021 the credit union introduced new features and benefits for the Alaska USA Visa® Credit Card, as well as an innovative new design.

Reward points may now be used for discounts at CVS, Walgreens, and for purchases through PayPal when shopping online. In addition, credit cards now come equipped with contactless payment technology—a faster and more secure method to make retail purchases.

The credit union partnered with Alaska artist and Alaska USA member Meg Smith to create an inspiring and unique credit card design. The design, the narrative of the artwork's creation, and the accompanying artist's biography were met with overwhelming approval by credit union members. Meg Smith's artwork has elevated the Alaska USA Visa Credit Card to be more than just a financial tool—it also serves as a bold symbol of the credit union's commitment to supporting local communities.



ALASKA USA DONATES OFFICE SPACE

Alaska USA has a long standing and mutually beneficial relationship with United Way of Anchorage and has been a strong supporter of their mission to improve the health, education, and financial stability of everyone in the community.

While United Way faced many challenges, none were more pressing than their need to find new office space for their organization—so Alaska USA stepped up and offered space in our Juneau Street office in downtown Anchorage.

Along with the office space, Alaska USA also presented United Way of Anchorage with \$42,000—consisting of a combination of Alaska USA employee donations and a matching corporate contribution.



REDESIGNED NORTH POLE BRANCH

The fully redesigned North Pole branch opened in 2021—the latest in a series of digitally-focused Alaska USA locations. In addition to an updated look and floorplan, the North Pole branch offers enhanced self-service options and a design that encourages more engagement between members and credit union representatives.



MILITARY APPRECIATION

For the 26th year in a row, Alaska USA honored members of the military with the Annual Military Appreciation Breakfast, which coincides with the Armed Services YMCA Salute to the Military event.

Each year the credit union creates a unique challenge coin designed especially for breakfast attendees. The military challenge coin symbolizes hard work and dedication to service in the armed forces and is a small token of appreciation from Alaska USA.

12 recipients of the Service Person of the Year and the Military Spouse of the Year were recognized and awarded for their outstanding achievement. These exceptional service members, representing each of the active-duty branches of the military as well as the Guard and Reserves, were nominated by their supervisors and underwent a panel interview before being selected. Honorees received an appreciation basket filled with breakfast goods and videos recognizing their achievements.

Alaska USA is always honored to be able to express its admiration and gratitude to military members any way it can. Thank you for your hard work and sacrifice, and congratulations to the awardees.



CASH FOR CANS

Even after another year of economic uncertainty, Alaska USA members and corporate partners stepped up to support the annual Cash for Cans® fundraiser—with combined donations surpassing \$120,000. The funds were distributed to food banks and pantries in Alaska, Maricopa County in Arizona, the High Desert region of California, and Washington. Donations are used to provide much needed meals to individuals and families suffering from food insecurity in our communities.



SUPERVISORY COMMITTEE REPORT

The credit union's Supervisory Committee is comprised of five volunteer members who function as the credit union's audit committee. It is the committee's responsibility to ensure that internal controls are effectively maintained; accounting records and reports are promptly prepared and accurately reflect the results of operations; the operation of the credit union is in accordance with the policies and procedures established by the Board of Directors; and member account inquiries are promptly and fairly considered. Your Supervisory Committee has fulfilled these responsibilities during the past year as follows:

- » Retained Crowe Horwath, a certified public accounting firm, to conduct the credit union's annual audit;
- » Worked with the credit union's Internal Audit department to ensure that internal controls were maintained;
- » Responded directly to members with account inquiries;
- » Completed a random sample verification of member account balances and of closed accounts through direct correspondence; and
- » Met regularly, and as required, to consider matters that were within the Supervisory Committee's area of responsibility.

It is our opinion that the enclosed financial statements fairly and accurately reflect the financial condition of Alaska USA Federal Credit Union on December 31, 2021, and that the credit union operates and is managed on a sound basis, in accordance with current federal regulations.

Craig S. Wood	Chairman
Sarah M. Warrington	Secretary
Jody L. Allen	Member
Gregory A. Brown	Member
John K. Hogue	Member

Consolidated Statements of Financial Condition

ALASKA USA FEDERAL CREDIT UNION AND SUBSIDIARIES
December 31, 2021 and 2020
(Dollars in thousands)

	2021	2020
ASSETS		
Cash and due from financial institutions	\$ 87,389	\$ 127,210
Interest-bearing deposits in other financial institutions	566,355	34,339
Securities purchased under agreements to resell	196,211	290,097
Total cash and cash equivalents	849,955	451,646
Debt securities available for sale	859,691	1,810,850
Equity securities	11,363	9,424
Total investments	871,054	1,820,274
Loans		
Loans, net of allowance for loan loss of \$49,522 and \$53,804 as of December 31, 2021 and 2020	8,404,279	6,742,448
Loans held for sale	80,230	280,658
	8,484,509	7,023,106
Deposit in National Credit Union Share Insurance Fund	85,136	79,164
Federal Home Loan Bank stock, at cost	10,000	10,000
Accrued interest receivable	27,982	27,841
Other receivables	25,635	9,472
Premises and equipment, net	191,442	196,575
Assets acquired in liquidation of loans, net	3,215	2,998
Goodwill	22,478	22,478
Mortgage servicing rights	39,228	33,451
Net pension asset	85,328	80,883
Other assets	20,102	26,701
Total assets	\$ 10,716,064	\$ 9,784,589
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' share accounts	\$ 9,684,166	\$ 8,844,817
Accrued expenses and accounts payable	156,856	145,269
Total liabilities	9,841,022	8,990,086
Members' equity		
Statutory reserves	42,658	42,658
Undivided earnings	929,305	820,790
Accumulated other comprehensive loss	(96,921)	(68,945)
Total members' equity	875,042	794,503
Total liabilities and members' equity	\$ 10,716,064	\$ 9,784,589

Consolidated Statements of Income

ALASKA USA FEDERAL CREDIT UNION AND SUBSIDIARIES
 December 31, 2021 and 2020
 (Dollars in thousands)

	<u>2021</u>	<u>2020</u>
Interest income		
Interest on loans	\$ 309,403	\$ 299,435
Interest on investment	14,293	22,065
Other	2,136	3,140
	<u>325,832</u>	<u>324,640</u>
Interest expense		
Dividends on members' shares accounts	40,123	60,625
Other	2,259	668
	<u>42,382</u>	<u>61,293</u>
Net interest income	283,450	263,347
Provision for loan losses	<u>3,858</u>	<u>30,956</u>
Net interest income after provision for loan losses	279,592	232,391
Noninterest income		
Interchange fees	60,996	50,761
Other fees and charges	40,816	36,207
Net gain on sale of loans	46,876	66,743
Net mortgage servicing income (loss)	7,382	(10,873)
Net gain/(loss) on sale of debt securities available for sale	716	(166)
Net gain on sale of equity securities	50	52
Unrealized gain on equity securities	2,154	2,279
Other	20,067	20,647
Total noninterest income	<u>179,057</u>	<u>165,650</u>
Noninterest expense		
Compensation and benefits	201,696	198,773
Office operations	95,193	56,882
Office occupancy	27,270	30,336
Other	25,975	40,409
Total noninterest expense	<u>350,134</u>	<u>326,400</u>
Net income	<u>\$ 108,515</u>	<u>\$ 71,641</u>



2021 EXECUTIVE STAFF

Geoff Lundfelt	President and CEO
Wayne Bailey	Executive Vice President and CXO
Mike Brady	Chief Information Officer
Randall Carswell	Chief Financial Officer
John Cassidy	Chief Financial Officer
Patrick Cosgrove	Chief Lending Officer
Jessica Graham	Chief Risk Officer and General Counsel
Rachel Norman	Chief Administration Officer
Elizabeth Pavlas	Chief Operations Officer
Todd Pearson	Regional President
Jason Sasena	Chief Strategy Officer
Chris Brown	Executive Director, Consumer Lending
Shannon Conley	Executive Director, Retail Financial Services
Steve Larson	Executive Director, Mortgage & Real Estate Lending
Robert McNaughton	Executive Director, Business & Commercial Services
Julia Niziolek	Executive Director, Insurance & Investment Services
Michelle Bradshaw	Senior Vice President, IM Governance
Scott Chertkow	Senior Vice President, IM Applications
Doug Horner	Senior Vice President, IM Operations
Stephanie Maxwell	Senior Vice President, Digital Experiences
Dan McCue	Senior Vice President, Corporate Relations
Tod Miller	Senior Vice President, Consumer Lending
Maria Quick	Senior Vice President, Finance
Troy Shelden	Senior Vice President, Mortgage Finance and Servicing
Brian Spink	Senior Vice President, Internal Audit
Bob Thompson	Senior Vice President, Corporate Properties & Supply
Tim Woolston	Senior Vice President, Marketing
Daniel Byron	Vice President, Payment Technologies
Peter Caldwell	Vice President, Accounting
Joe Crosson	Vice President, Direct Consumer Lending
Leisa DeYarmon	Vice President, Special Credits Collections
Holli Frenchik	Vice President, Consumer Loan Administration
Cindy Fry	Vice President, Branch Administration, PNW Region
June Gardner	Vice President, Consumer Compliance
Jeff Gregg	Vice President, Business and Commercial Lending
Clinton Hess	Vice President, Business Intelligence
Julie Moore	Vice President, Mortgage Administration & Compliance
Laura Moore	Vice President, Applications, Engineering and Automation
Athar Nazir	Vice President, Special Credits Operations
Roland Pilapil	Vice President, Branch Administration, SW Region
Kathryn Pritsos	Vice President, Personnel
Sharlyn Ruyan	Vice President, Member Service Center
David Vanzant	Vice President, Enterprise Security
Robert Warthen	Vice President, Commercial Services Administration
Sonya Watkins	Vice President, Branch Administration, AK Region
Victoria Worley	Vice President, Operations

AlaskaUSA[®]
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Insured by NCUA

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