

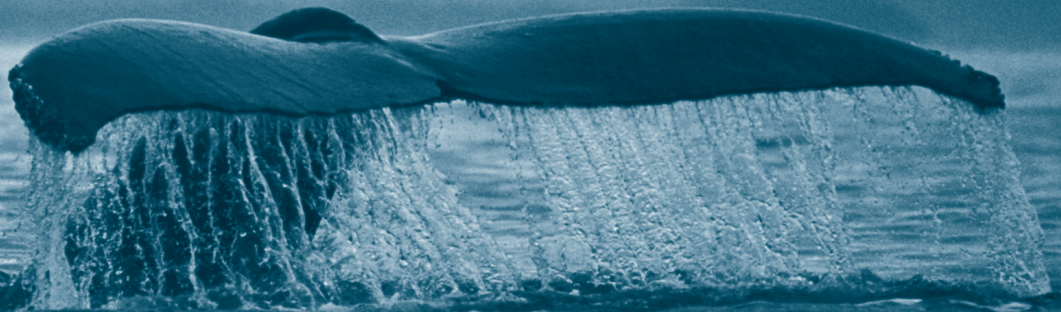
2016 ANNUAL REPORT



TRUE NORTH

FEDERAL CREDIT UNION

TRUE NORTH ... A locally managed credit union that provides quality financial solutions for its Alaskan members.



Federally Insured by NCUA



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Native American Home Loans – HUD 184

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MISSION

True North Federal Credit Union is a member owned and locally managed credit union that provides quality financial solutions for its Alaskan members. True North is dedicated to improving the economic well-being of the members, employees, and communities it serves.

VISION

True North Federal Credit Union will be the Alaskan credit union of choice that dynamically improves the communities it serves, while offering cutting edge technology, above and beyond service, and a commitment to doing the right thing.

VALUES

Welcoming
Responsive to Member Needs
Trustworthy
Community Oriented
Dedicated to Member
Service Excellence

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ANNUAL MEETING AGENDA

TRUE NORTH FEDERAL CREDIT UNION

MARCH 15, 2017

MENDENHALL BRANCH
2777 POSTAL WAY
JUNEAU, ALASKA

- Call to Order
- Ascertainment of Quorum
- Introduction of Volunteers
- Approval of Minutes from
March 9, 2016 Annual Meeting
- CEO Report
- Unfinished Business
- New Business
 - *Nomination Committee Report*
 - *Elections*
- Recognition and Awards
- Adjournment

68th ANNUAL MEETING MINUTES

TRUE NORTH FEDERAL CREDIT UNION • MARCH 9, 2016

The 68th Annual Meeting of True North Federal Credit Union was called to order at 5:35 p.m. in the lobby of the Mendenhall Valley Branch/ Administration offices by Creighton Laurent, Vice-Chair of the Board of Directors.

Creighton asked Tonie Vonda how many members were in attendance, and Tonie reported that 38 members were in attendance. Creighton declared a quorum had been reached.

Creighton asked that the volunteers present introduce themselves. The Board of Directors member in attendance introduced themselves, as did Rory Darling, Laura Bruce, Chris Letterman and Jim Andersen from Supervisory Committee.

Creighton stated the meeting would be conducted under Robert's Rules of Order and appointed David Teal as Parliamentarian.

The membership considered approval of the minutes from the March 26, 2015 annual meeting. Creighton stated that if there was no objection, he would adopt a motion to waive reading of the minutes. Hearing no objection, the reading was waived. Creighton stated that if there was no objection, he would adopt a motion

to approve the minutes of March 29, 2015. No objection was made and the minutes were approved.

Lauren MacVay delivered the President's Report. She reported on recent advocacy efforts in Washington DC, highlighting Regulatory Reform, Member Business Lending cap relief, and Cyber Security accountability as some key priorities for the movement. Lauren then discussed 2015 benchmarks including the launch of a new home banking platform, charter enhancements in Anchorage, and a core system evaluation and subsequent decision to convert. Lauren then discussed the closure of the Fairbanks branch, which was effective January 2, 2016. She highlighted the reasons for the closure, citing elements including a heavily served market along with the ways evolving technologies are impacting member behavior, and the difficult strategic challenges that poses. Lauren then discussed the responses from the Fairbanks membership, which ranged from understanding to extreme anger. Those who were in the latter category were few, but Lauren wanted to ensure that their concerns, primarily lack of consultation in the decision to

close the branch and dissatisfaction with the amount of notice given, were noted in the forum of the Annual Meeting.

Lauren reported that shares grew by 6%, while loan grew by almost 17% in 2015. Finally, Lauren discussed what was to come in 2016. While the core conversion was a project that would span the whole year, she predicted that the resulting new technology would improve service levels, the Credit Unions ability to offer new products, and staff satisfaction. Additionally, members should expect to see their debit and credit cards converted to EMV by the end of March to stem fraud loss, which has been growing. Additionally, the website will be redesigned for a more modern look and improved functionality. Finally, the Credit Union will continue to look for opportunities to meet the financial needs of members and communities, whether it be through financial education opportunities or unique products and services.

Lauren concluded with thanks to the True Crew, the Supervisory Committee and the Board of

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BOARD OF DIRECTORS ANNUAL REPORT

On behalf of the Board of Directors of True North Federal Credit Union, I am pleased to present our annual report to you.

Many of our plans over the past several years came to fruition in 2016. One of our major strategic focuses has been to improve our technology, both in terms of what the staff is using to meet member needs and how the members are able to access services electronically. The road hasn't always been smooth, but major benchmarks were reached in 2016.

In summer 2016, we upgraded our website, offering a new, modern look that is now mobile compatible. A few months later, we replaced our telephone system with a modern Avaya system that has improved reliability and sound quality. We also installed our first call center platform for more efficient service, with far superior reporting on call volumes and member needs. While this was a big change for the membership, it's one that puts us in a much better position to meet member needs in the long run, and allows us to better gauge volumes and staffing requirements.

In December 2016, we converted to a new core system, and upgraded our member facing platforms as well. Our core is the software we use to track member accounts and transactions. We had been with our prior core since 1993, and over the past several years had become dissatisfied with its performance and ability to interact with other platforms.

We also had concerns about its long-term viability; therefore, the decision to move was finalized in 2015 and most of 2016 was spent dedicated to the major undertaking of converting the core and associated platforms.

The end result is True North now has a modern core platform that is dynamic and is written in a way that promotes integration with other software providers, giving us far more options than we had before. Along with the core change, we also converted our home banking, mobile banking and telephone banking platforms. We are now well poised to respond to future opportunities and new technologies. While the transition was difficult, we believe it was necessary. We thank our members for their patience and the True Crew for their incredible hard work during this time!

There is one more significant technology change coming, and that's a change in credit and debit card processors. Again, we're moving to a platform that offers more innovative services and flexibility. True North cardholders can expect to see statements integrated with their other True North Accounts as well as improved personal control over their cards to prevent fraud without sacrificing convenience.

In late 2015, we announced the closure of our Fairbanks Branch. That decision, difficult as it was, has thus far had the impacts we were expecting. Many Fairbanks members are continuing

to utilize our electronic services, Shared Branching volume is up, and while we have seen a dip in our loans and shares as a result, the declines are small. Also in late 2015, we expanded our charter in the Anchorage market, and we have seen increased membership as a result.

Over the course of the year, our total assets declined by approximately \$500,000, while shares declined by only 1%. Generally, growth in other markets offset the decline we saw in Fairbanks. It was a strong year financially, with member equity growing by over 9%.

As a part of our dedication to serving our communities, during 2016 True North and our employees raised and provided funds for a number of Alaskan non-profits in the communities we serve including: Relay for Life; Big Brothers Big Sisters of Alaska; United Way; Alaska Business Week at the University of Alaska, Fairbanks; SE Alaska Food Bank; Glacier Swim Club; Alaska Legal Services and Bean's Cafe.

True North's dedication to providing excellent member service was again recognized in 2016 by the readers of the Juneau Empire. The readership voted True North 2nd in three categories: Best Bank/Credit Union; Best Financial Services provider; and our Real Estate Loan Officer – Brenda Heimbuch – took 2nd as the Best Mortgage Loan Officer in Juneau.

We have a proud history of serving Alaskans, originally chartered sixty-

67th ANNUAL MEETING MINUTES *(continued)*

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Directors for their efforts on behalf of the membership. She gave special thanks to Laura Bruce, former Chair of the Supervisory Committee, for her very hard work and dedication over the past few years as she led the committee through a significant period of change.

There was no unfinished business.

The only item of new business was election of Board officers. Christine Moleski reported for the Nominating Committee that two Board seats were up for election this year, those of David Teal and Steve Byers, and that only David Teal was seeking reelection. Christine reported that the Nominating Committee recommended incumbent David Teal and Jim Andersen, prior Board Member and current Supervisory Committee member, for election to the Board of Directors.

Creighton asked if the candidates nominated would like to make a statement in support of their candidacy to the membership. David Teal spoke of his tenure on the Board

and his belief that he still has something to offer. Jim Andersen spoke of his history of volunteerism with True North, and his belief in what the Credit Union does.

Creighton asked if there were any nominations from the floor. No nominations were made. Christine Moleski moved to accept the slate of candidates proposed by the Nominating Committee, and the motion was seconded. Creighton asked for objections, and hearing none, the motion electing the slate of candidates passed.

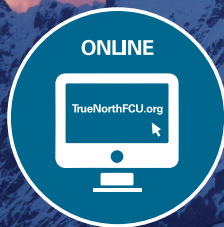
Lauren MacVay then recognized Tonie Vonda for 5 years of service, and Patty Ray and TinaMarie Kile for 15 years.

Creighton asked for questions from the floor. There being none, he asked Kathryn to begin drawings for Door Prizes.

There being no further business before the membership, Creighton adjourned the meeting with no objection from the membership. The meeting adjourned at 5:55 p.m.

Respectfully submitted,
Mark Troupin, Secretary

Account Access, Anytime, Anywhere.



BOARD OF DIRECTORS ANNUAL REPORT *(continued)*

Continued from page 6

seven years ago as Juneau Territorial Employees Federal Credit Union. In 1959 – the year Alaska became a state – our name was changed to Juneau State Employees FCU. We then became Alaska State Employees FCU in 1978 after merger with Northern State Employees FCU. We changed our name to True North Federal Credit Union in 2003 recognizing the expanded membership we now serve. While the names may have changed, True North's mission continues to be dedication

to meeting the financial needs of its members and supporting the communities it serves.

True North is a locally managed credit union that provides quality financial solutions for its Alaskan members.

As elected volunteers, we guide the direction of the credit union to meet the needs of the membership. We encourage you as a member-owner to forward your comments or concerns to us. Your input is important for True North's continued success.

Kim Garner, Board Chair



MANAGEMENT TEAM



LAUREN MACVAY
CEO/PRESIDENT



JEFF VOGT
CHIEF FINANCIAL OFFICER



PATTY RAY
VP OF OPERATIONS



BILL PETERS
VP OF CORPORATE
DEVELOPMENT



TINAMARIE KILE
AVP OF BRANCH
OPERATIONS



SHERI VIDIC
MORTGAGE LENDING
MANAGER



MITCH JACKSON
BUSINESS LENDING
MANAGER



ANDREA BENNETT
COMPLIANCE MANAGER



CRYSTAL HEGEL
ACCOUNTING MANAGER



AARON MAR
IS MANAGER



JAYME HILL
LOAN SERVICES MANAGER



DANIELLE BEAR
COLLECTIONS MANAGER



SARA BOYER
ANCHORAGE BRANCH AND
CONTACT CENTER MANAGER



WILLIAM BOOTHE
JUNEAU AREA
BRANCH MANAGER

SUPERVISORY ANNUAL REPORT

The Supervisory Committee, appointed by the Board of Directors, has diverse responsibilities that are focused at protecting the interests of True North's member owners. The Committee's tasks include:

- review and respond to member complaints,
- arrange annual Financial Statement audits
- monitor the activities of the Board, management and staff by reviewing the National Credit Union Administration (NCUA) exams and other compliance related audits and tests, along with managements responses to them.
- Audit compliance with select policies and procedures, and the integrity of internal controls.

Through these activities, the Supervisory Committee assists in ensuring the financial safety and soundness of the Credit Union.

True North has retained CliftonLarsonAllen, LLP (an independent auditing firm) to perform an annual Financial Statement Audit and verification of member accounts. In the spring of 2016, CliftonLarsonAllen audited True North as of December 31, 2015 for the calendar year 2015. The result was an unqualified opinion, with no material weaknesses in financial reporting found. This indicates to True North's members that the financial statements presented by

management are a true and correct statement of our financial position. True North has also secured audits by external third parties for compliance with Bank Secrecy Act and SAFE Act regulations, and has received very good reports on each.

Additionally, your Supervisory Committee has audited numerous functions with the Credit Union over the past year, including but not limited to Information Technology Management Controls, Branch security controls, Branch Cash Management, Key Account Reconciliations, Vendor Management, and Purchasing Authorizations, and our findings reflect that True North is in compliance with the requirements set forth by policy and procedure.

True North's Supervisory Committee is composed of committed volunteers with diverse backgrounds and skill sets. In addition to securing the annual audit, we prepare and implement our own audit plan designed to verify that Management is implementing Board approved policies. It is a pleasure to serve on the committee and represent the members' interests in True North Federal Credit Union.

Rory Darling, Chair
Chris Letterman
Elizabeth Pederson

BOARD OF DIRECTORS

**KIM
GARNERO**
CHAIR

**CREIGHTON
LAURENT**
VICE-CHAIR

**DAVID
TEAL**
TREASURER

**MARK
TROUPIN**
SECRETARY

**GRETCHEN
KEISER**

**CHRISTINE
MOLESKI**

**JIM
ANDERSEN**

SUPERVISORY COMMITTEE

RORY DARLING
CHAIR

CHRIS LETTERMAN

ELIZABETH PEDERSEN

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- ▶ Personal Loans
- ▶ Business Loans

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COMPARATIVE INCOME STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2016 & 2015



Income	2016	2015
Interest on Loans	5,195,933	5,070,621
Interest on Investments	244,950	211,757
Fees and Other Incomes	2,697,702	2,672,624
Total Income	\$8,138,584	\$7,955,002

Expenses		
Dividends on Members' Deposits	245,286	255,981
Provisions for Loan Loss	216,431	304,000
Operating Expenses	6,809,551	7,026,777
Total Expenses	\$7,271,267	\$7,586,757

Income Before Extraordinary Items	\$867,317	\$368,244
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Extraordinary Items Income/(Expense)	(841)	8,688
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Net Income	\$866,476	\$376,932
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COMPARATIVE BALANCE SHEETS

DECEMBER 31, 2016 AND 2015

Income	2016	2015
Loans to Members	110,528,002	113,831,535
Less: Reserve for Loan Loss	(430,963)	(553,566)
Net Loans	\$110,097,039	\$113,277,969
Cash and Cash Equivalents	1,229,910	1,590,123
Investments/Fed Funds	18,132,805	15,578,225
Accrued Interest Receivable	285,100	297,191
Property and Equipment, net	6,188,525	5,278,392
NCUA Share Insurance Deposit	1,229,853	1,194,609
Prepaid Expenses and Other Assets	1,043,029	1,517,182
Total Assets	\$138,206,260	\$138,733,689
Liabilities and Members' Equity		
Shares	39,149,816	39,315,350
Share Money Market	38,729,106	37,841,805
Share Certificates	10,806,824	12,731,280
IRA's	2,596,414	2,472,457
IRA Certificates	2,693,743	3,047,355
Share Drafts	31,443,932	31,538,613
Accrued Dividends	44,608	53,310
Other Liabilities	1,768,058	1,675,650
Total Liabilities	\$127,232,503	\$128,675,821
Members' Equity		
Unrealized Gain/(Loss) on Securities	(166,133)	(215,546)
Regular Reserves	4,163,163	4,163,163
Undivided Earnings	6,976,728	6,110,252
Total Members' Equity	\$10,973,758	\$10,057,869
Total Liabilities and Members' Equity	\$138,206,260	\$138,733,689



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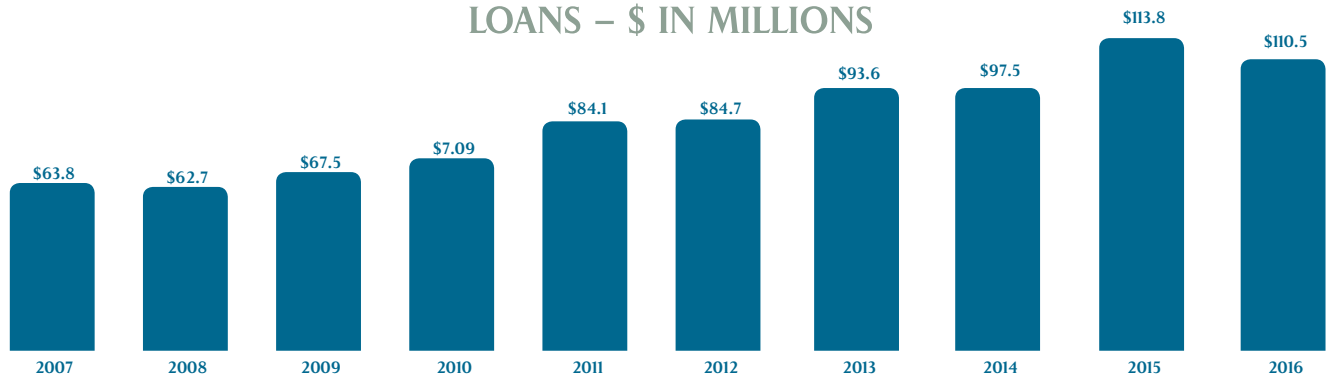
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GROWTH STATISTICS

ASSETS – \$ IN MILLIONS



LOANS – \$ IN MILLIONS



DEPOSITS – \$ IN MILLIONS



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JUNEAU, ALASKA 99803

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