

I. WELCOME AND INTRODUCTIONS

Gayla Duerr welcomed everyone to the 77th TwinStar Annual meeting at 10:35 a.m. and led attendees in the Flag Salute. During breakfast, drawings were conducted for children and adult prizes.

II. CALL TO ORDER

Gayla Duerr introduced Jeff Kennedy, CEO. Jeff introduced the following members of TwinStar's Senior Management Team: Becky Breen, Scott Daukas, Matt Devlin, Jerrod Keller, Aaron Palmer, Kim Peterson, Mary Beth Spuck, Sharon Weinberg, Elkan Wollenberg and Tammy Teeter. Jeff introduced the credit union's Board Chair, Scott Horner, who called the 77th Annual Meeting to order at 10:40 a.m. Tammy Teeter was appointed Recording Secretary and Jerry Morrissette was appointed Parliamentarian.

III. INTRODUCTIONS

Scott introduced the Board of Directors and Interns, Supervisory Committee and their guests. He requested all credit union volunteers stand and be recognized for their many hours of service. Scott also recognized all employees in attendance and noted the Board's appreciation for their dedication and support of the credit union's vision and mission.

IV. 2014 ANNUAL MEETING MINUTES & CHAIR REPORTS

Scott began the business portion of the meeting by establishing a quorum of 15 voting members was present. He noted a copy of the 2014 Annual Meeting minutes and a wrap up of the credit union's financials were on each table.

Scott called for a motion to approve the minutes. The motion was made, seconded and approved.

The 2015 reports from the President, Board and Supervisory Committee Chairs were presented. Scott asked for a motion to approve the reports. The motion was made, seconded and approved.

V. ELECTIONS

Scott introduced the Nominating Committee Chair, John Parr, who introduced the Nominating Committee and announced the following slate of incumbents running for election:

| | |
|-----------------------------------|-------------------------------------|
| Board of Directors – 3 year terms | Supervisory Committee – 3 year term |
| Ron Hastie | Kim Wyman |
| Kim Martin | |
| Rhodetta Seward | |

Since the five positions were uncontested, John called for a motion to accept the slate as presented. The motion was made, seconded and approved. John thanked and congratulated each newly elected officer.

VI. NEW BUSINESS

Scott called for any new business. No new business was presented.

VII. ADJOURNMENT

Scott thanked everyone for attending the Annual Meeting and requested a motion to adjourn. The motion was made, seconded and approved. The business meeting was adjourned at 10:48 a.m.

VIII. ENTERTAINMENT AND PRIZE DRAWINGS

Gayla Duerr introduced the Seattle band Restless. The morning celebrations concluded at 12:30 p.m. with the remaining prize drawings, awarding of the centerpieces and distribution of membership appreciation gifts.



Annual Report 2015



Statement of Financial Condition as of December 31, 2015

| Assets | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|----------------------|--------------------|--------------------|--------------------|--------------------|
| Cash and Cash Equivalents | 119,881,329 | 74,289,896 | 63,309,830 | 86,945,699 | 21,446,724 |
| Member Loans (Net after Allowance for Loan Loss) | 777,923,559 | 697,486,237 | 595,261,565 | 549,499,503 | 519,374,497 |
| Investments | 81,915,648 | 86,111,928 | 159,899,936 | 116,301,779 | 172,780,025 |
| Fixed Assets | 27,860,351 | 28,034,190 | 27,470,906 | 28,029,188 | 29,111,915 |
| Other Assets | 41,852,292 | 39,720,424 | 35,749,321 | 51,063,321 | 39,051,114 |
| Total Assets | 1,049,433,179 | 925,642,675 | 881,691,558 | 831,839,483 | 781,764,275 |

Member Shares

| | | | | | |
|----------------|-------------|-------------|-------------|-------------|-------------|
| Members Shares | 921,072,953 | 818,352,130 | 786,501,452 | 737,342,278 | 687,127,944 |
|----------------|-------------|-------------|-------------|-------------|-------------|

Net Worth

| | | | | | |
|---|--------------------|-------------------|-------------------|-------------------|-------------------|
| Regular Reserves | 8,492,258 | 8,492,258 | 8,492,258 | 8,492,258 | 8,492,258 |
| Accumulated Unrealized Gain/ Loss on Investments | (869,784) | (1,162,999) | (4,328,844) | 673,207 | 703,060 |
| Undivided Earnings | 97,107,717 | 89,053,157 | 80,358,237 | 72,145,721 | 66,520,046 |
| Total Net Worth | 104,730,191 | 96,382,416 | 84,521,651 | 81,311,186 | 75,715,364 |

Liabilities

| | | | | | |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Accounts Payable & Other Liabilities | 23,629,902 | 10,908,028 | 10,668,373 | 13,185,948 | 18,888,975 |
| Accrued Payable Interest or Dividends | 134 | 101 | 82 | 78 | 31,992 |
| Total Liabilities | 23,630,035 | 10,908,129 | 10,668,455 | 13,186,026 | 18,920,967 |

| | | | | | |
|---|----------------------|--------------------|--------------------|--------------------|--------------------|
| Total Member Shares, Net Worth & Liabilities | 1,049,433,179 | 925,642,675 | 881,691,558 | 831,839,483 | 781,764,275 |
|---|----------------------|--------------------|--------------------|--------------------|--------------------|

Note: Unaudited Financial Statement as prepared by TwinStar Credit Union. Reflects only TwinStar Credit Union.





President's Message
Jeff Kennedy, President/CEO

2015 was a dynamic year at TwinStar Credit Union. In addition to the solid loan growth TwinStar has enjoyed for several years now, TwinStar members brought their hard earned deposits to us in record amounts. TwinStar's total deposit balance grew by \$102 million in 2015; it's the first deposit increase of more than \$100 million in the history of the credit union.

The confidence shown by our members pushed our asset total over the \$1 billion mark. While this number is not significant in itself, it is symbolic of the trust and loyalty our members have in TwinStar and we greatly appreciate it. We are determined to retain the friendly, consultative approach to delivering the services our members are accustomed to as the credit union continues to grow.

You'll also notice our commitment to service and convenience when you use any of our new electronic service channels. TwinStar completed an installation of a new online and cellular phone banking platform in 2015. The new system provides an integrated look and feel and new functionality for both the computer and phone applications. Additionally, the new system is set up to allow development of features and functions over time. One of those applications will provide members the ability to manage their credit and debit card activity from anywhere at any time. TwinStar members will be able to turn their cards on or off, or specify use only under certain conditions from their cellular phones easily and quickly.

The time and resources needed to develop our leading edge account access tools is significant, and that's why we are very pleased with member acceptance of the new services. For example, just a few years ago TwinStar began offering members the ability to deposit checks using a phone application and the phone's camera. Today, there are more than 12,000 checks being sent in via remote deposit capture each month!

The growth of online account access and money management tools is certainly exciting and we're glad you are participating with us. Our focus is to deliver an amazing experience that's genuine and efficient each time you interact with TwinStar. Whether it's in person, on the phone or online, we're looking forward to helping you realize your financial dreams.

I would like to thank our members, volunteers, management personnel and staff for their continued dedication to TwinStar Credit Union.

Respectfully submitted,

Jeff Kennedy
 President/CEO



Board Report
Rhodetta Seward, Chair

TwinStar Credit Union is a full-service, financial institution owned by the depositors – the members of our organization. Our credit union opened its doors in 1938 with the vision to serve you, our members, and help you meet your financial needs and provide opportunities that enable you and your family to succeed.

We have been growing at a brisk pace in assets, topping \$1,000,000,000 in 2015 and still continue to operate with adequate capital ratio of more than ten percent. As you can see in the chart below we have more than doubled our assets in the last ten years and tripled the growth we had in 2005.

Major Accomplishments

Besides our accomplishment in asset growth in 2015, some additional accomplishments included:

- Loan & Deposit Growth: Both loan and deposit growth exceeded forecast by a factor of two!
- Member Growth: TwinStar garnered an additional 7,640 new members in 2015 to bring us to a total of over 114,000 members!
- Online and Mobile Banking: New advanced access tools have been implemented to assist members on the go.
- Modernized Lending Platforms: New member application systems have been updated to provide efficiency and speed to the member experience.

Thanks to All

As Board Chair, I would like to express the Board of Directors' appreciation for your confidence and trust in the credit union. Along with Management, we look forward to executing and advancing our current products in the next year to positively meet the needs of our membership. I would also like to express my gratitude to my fellow volunteers and the credit union employees as your loyalty and dedication has enhanced TwinStar's success.

Respectfully submitted,

Rhodetta Seward, Chair
 Board of Directors

Loan Productivity Comparison

| Loan Type | 2013 | 2014 | 2015 |
|------------------|---------------------------|---------------------------|---------------------------|
| Consumer | 16,294 loans for \$212.6M | 15,000 loans for \$168.6M | 17,531 loans for \$207.9M |
| Dealer Financing | 2,449 loans for \$58.2M | 4,177 loans for \$103.7M | 4,800 loans for \$122.6M |
| Mortgage | 871 loans for \$144.9M | 473 loans for \$80.4M | 668 loans for \$121.1M |

Financial Asset Growth

| | |
|------|-----------------|
| 1938 | \$1,473 |
| 1950 | \$36,774 |
| 1960 | \$467,129 |
| 1970 | \$2,378,773 |
| 1980 | \$20,545,115 |
| 1990 | \$113,963,792 |
| 2000 | \$354,800,950 |
| 2010 | \$714,483,952 |
| 2011 | \$781,764,275 |
| 2012 | \$831,839,483 |
| 2013 | \$881,691,558 |
| 2014 | \$925,642,675 |
| 2015 | \$1,049,433,179 |



2015 Supervisory Committee Report
Erik Kupka, Chair

The Supervisory Committee consists of five elected members who volunteer their time to serve TwinStar Credit Union's membership. The Committee has the responsibility of working with the Internal Auditor, the

credit union's Management Team, and the Board of Directors to ensure the credit union is operating in a safe and prudent manner and in the best interests of our membership. To fulfill our responsibilities, we work with Management to engage a CPA auditing firm, currently CliftonLarsonAllen, LLP, to perform the annual opinion audit and a verification of member accounts.

The Committee also utilizes a full-time internal audit department and has the benefit of the federal examination by the National Credit Union Association and the state examination by the Department of Financial Institutions. The examination reports in 2015 from both entities gave TwinStar favorable reviews for financial soundness and management, determining the credit union is well capitalized.

Our last external audit again verified TwinStar is operating in accordance with generally accepted accounting principles. In addition, the internal audit department conducts audits on an ongoing basis and in accordance with an annual plan based on the credit union's risk assessment, which better ensures the membership's interests and improves internal controls.

Under the Board of Directors' governance and the credit union's management, actions are always taking place to improve the credit union's ability to meet the needs of the membership, and to provide you with outstanding service well into the future.

As the Chairman of the Supervisory Committee, I speak on behalf of the Committee members when I say it has been our pleasure to serve you in 2015. The Committee will continue to work diligently in 2016 to ensure the credit union remains a safe and sound institution.

Respectfully submitted,

Erik M. Kupka, Chair
 Supervisory Committee

