

I. WELCOME AND INTRODUCTIONS

Gayla Duerr welcomed everyone to the 78th TwinStar Annual meeting 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, Rhodetta Seward, who called the 78th Annual Meeting to order at 10:35 a.m. Tammy Teeter was appointed Recording Secretary and Jerry Morrisette was appointed Parliamentarian.

III. INTRODUCTIONS

Rhodetta introduced the Board of Directors and Interns, Supervisory Committee and Intern and their guests. She requested all credit union volunteers stand and be recognized for their many hours of service. Rhodetta 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. 2015 ANNUAL MEETING MINUTES & CHAIR REPORTS

Rhodetta began the business portion of the meeting by establishing a quorum of 15 voting members was present. She noted a copy of the 2015 Annual Meeting minutes and a wrap up of the credit union's financials at each table.

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

The 2015 reports from the CEO (Treasurer), Board and Supervisory Committee Chairs were presented. Rhodetta asked for a motion to approve the reports. The motion was made, seconded and approved.

V. ELECTIONS

Rhodetta introduced the Nominating Committee Chair, Scott Horner, who introduced the Nominating Committee as Kim Martin, Donna Feliciano, Brock Williams, and Nicole Colgan. He announced the following slate of candidates running for election:

Board of Directors – 3 year terms	Supervisory Committee – 3 year term
Gayla Gjertsen	Erik Kupka
Mark Neary	Steve Marcotte
Dale Tosland	

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

VI. NEW BUSINESS

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

VII. ADJOURNMENT

Rhodetta 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 10:40 a.m.

VIII. ENTERTAINMENT AND PRIZE DRAWINGS

Gayla Duerr introduced the band, Wally & the Beavs. The morning celebrations concluded at 12:10 p.m. with the remaining prize drawings, awarding of the centerpieces and distribution of membership appreciation gifts.



Annual Report 2016



Statement of Financial Condition as of December 31, 2016

Assets	2016	2015	2014	2013	2012
Cash and Cash Equivalents	106,702,973	119,881,329	74,289,896	63,309,830	86,945,699
Member Loans (Net after Allowance for Loan Loss)	876,864,439	777,923,559	697,486,237	595,261,565	549,499,503
Investments	98,911,413	81,915,648	86,111,928	159,899,936	116,301,779
Fixed Assets	34,937,250	27,860,351	28,034,190	27,470,906	28,029,188
Other Assets	51,014,897	41,852,292	39,720,424	35,749,321	51,063,321
Total Assets	1,168,430,971	1,049,433,179	925,642,675	881,691,558	831,839,483

Member Shares

Members Shares	1,028,245,865	921,072,953	818,352,130	786,501,452	737,342,278
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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	(1,095,701)	(869,784)	(1,162,999)	(4,328,844)	673,207
Undivided Earnings	105,871,260	97,107,717	89,053,157	80,358,237	72,145,721
Total Net Worth	113,267,817	104,730,191	96,382,416	84,521,651	81,311,186

Liabilities

Accounts Payable & Other Liabilities	26,917,232	23,629,902	10,908,028	10,668,373	13,185,948
Accrued Payable Interest or Dividends	57	134	101	82	78
Total Liabilities	26,917,289	23,630,035	10,908,129	10,668,455	13,186,026

Total Member Shares, Net Worth & Liabilities	1,168,430,971	1,049,433,179	925,642,675	881,691,558	831,839,483
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Note: Unaudited Financial Statement as prepared by TwinStar Credit Union. Reflects only TwinStar Credit Union.





CEO's Message
Jeff Kennedy, President/CEO

2016 was a banner year at TwinStar Credit Union. Loans grew by almost \$100 million and increased in every category. Similarly, TwinStar's deposit base grew by \$108 million. It is important for credit unions in a growth mode to maintain balance between deposits and loans. Our capital

remained at healthy and safe levels, which is another important metric during growth periods.

TwinStar's growth was fueled by existing members and the new members we welcomed in 2016. Our ongoing survey process regularly reveals referral is the primary way new members find their way to TwinStar Credit Union. We have you to thank for that! On our end, we will continue to work at creating an first-rate experience each time you contact TwinStar - whether it's in person, by phone, by computer or mobile phone application. Thank you for telling your friends and family members about your positive experience with TwinStar Credit Union.

As you might imagine, the pace of technological change is rapid right now. I'm pleased to report all the banking technology we have released will either make something easier for you, provide more security and protection for you, or both! TwinStar launched Card Manager in 2016, which is a phone app that allows you to turn your card off/on and receive alerts each time your debit or credit card is used. Card Manager allows TwinStar members to manage the risk of fraud on their own terms. Look for more customized mobile banking features to be released in 2017 and beyond.

In our branches, visitors to the Hazel Dell branch will notice a new layout. Our members are less reliant on branches to conduct transactions these days, but still want space to ask questions, get the best product mix and make plans for their finances. Our new branch layout allows just that, and provides special areas within the branch to download our phone applications and become familiar with how they work. We are opening a brand new branch in Aberdeen in 2017 with a similar focus.

Finally, there are a few values that are very important to us - in our past and for our future. TwinStar Credit Union is inclusive of all people in our service areas. We will treat everybody with dignity and respect. We will be friendly, knowledgeable and accurate; we will be transparent if we make a mistake. We are driven to provide a good deal for each of our members.

Thank you for your continued patronage of TwinStar Credit Union. I would like to thank our volunteers, management team and staff for their continued dedication to our financial cooperative.

Respectfully submitted,

Jeff Kennedy
 President/CEO



2016 Board Report
Rhodetta Seward, Chair

It's a pleasure to report to you 2016 was an exceptional year of growth for TwinStar Credit Union, financially and in households. We offer guidance, education, tools and innovative programs to meet our members' needs wherever they are in their fiscal journey. Our growth positions us, as a cooperative, to help even more people reach their financial dreams with products, services, communication and conveniences that make our lives richer.

Total assets for 2016 ended at \$1,168,460,971, reflecting nearly \$120,000,000 in growth over 2015 year-end.

Major Accomplishments

Besides our accomplishment in asset growth in 2016, some additional accomplishments included:

- Total Households: We gained 8,799 new households ending the year with 95,874 total households! We have found this is a better measure of member growth for us.
- Products: TwinStar aggressively placed EMV chip cards in all its members' hands ahead of schedule. This enhancement will greatly reduce the occurrence of fraud and represents an important security update for the entire banking industry.
- Employees: The number of TwinStar employees participating in the credit union's 401k retirement program hit a record high of 97%!
- TwinStar Community Foundation: As we grew, so did the amount for the 16 Higher Education Scholarship awards – from \$1,000 to \$2,000 per student. In our Classroom Cash Grant Program, we awarded a record high 230 teachers \$130 each for a total of approximately \$30,000.

Thanks to All

I would like to convey my gratitude to my fellow Board of Directors' for their hard work and dedication to TwinStar Credit Union. Along with Management, we appreciate the memberships' trust in us to provide genuine returns in savings, in money know-how, in executing and advancing our current products, all to make our lives fuller and to build strong, thriving communities.

Respectfully submitted,

Rhodetta Seward, Chair
 Board of Directors

Loan Productivity Comparison

Loan Type	2014	2015	2016
Consumer	15,000 loans for \$168.6M	17,531 loans for \$207.9M	17,464 loans for \$218.8M
Dealer Financing	4,177 loans for \$103.7M	4,800 loans for \$122.6M	5,198 loans for \$137.5M
Mortgage	473 loans for \$80.4M	668 loans for \$121.1M	730 loans for \$146.5M

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
2016	\$1,168,460,971



2016 Supervisory Committee Report
Erik Kupka, Chair

The Supervisory Committee is a comprised of five elected members who volunteer their time to serve TwinStar Credit Union's membership. The Committee has the responsibility of supervising the Internal Audit

department. Along with the credit union's Management Team and the Board of Directors the Supervisory Committee ensures the credit union is operating in a safe and prudent manner and in the best interests of our membership. To fulfill our responsibilities, we engage a CPA auditing firm, 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. TwinStar Credit Union received favorable reviews for financial soundness and management in the 2016 examination reports from both entities and determined 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 controls within the credit union.

Under the Board of Directors' governance and the credit union's management, actions are always implemented to improve the credit union's ability to meet the current and future needs of the membership.

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 2016. The Committee will continue to work diligently in 2017 to ensure the credit union remains a safe and sound institution.

Respectfully submitted,

Erik M. Kupka, Chair
 Supervisory Committee

