

2014 ANNUAL REPORT

ufcu

“UFCU is my ideal
financial institution.”

“For over a decade, UFCU has been my go-to for all my financial needs. From auto loans to credit cards, I have always found them to offer lower rates than national (or even local) competitors.”

Member
GloV

Member Since
2001

Services
**Checking, Savings,
Auto Loan,
Credit Card**



Report of the Chairman & President



Gerald L. Davis



Tony C. Budet

In its 78th year, UFCU continued keenly focused on providing for the well-being of its members. Thanks to strong confidence members have in UFCU, coupled with a strong Texas economy, assets grew 6.06% in 2014, exceeding \$1.77 billion at year-end. UFCU's record of exemplary audit and examination results continued unabated.

Noteworthy 2014 accomplishments include:

Launched a redesigned UFCU.org website to better serve members through an improved user experience delivered across all devices and connection types. The site strongly communicates UFCU's culture and values.

Expanded member convenience through deployment of the Concordia University Financial Center and the Texas State Financial Center, both of which opened for business in 2014. Initiated preliminary work to bring financial centers to Victory Lakes in Galveston County and San Marcos in Hays County in 2015.

Responded swiftly to retailer system breaches and compromises by reissuing debit and credit cards to affected members, thus protecting them and the credit union from fraud losses. UFCU's proactive approach garnered a mention in the *Wall Street Journal*.

Introduced the mobile banking feature, CardKeeper™, allowing users to actively disable or enable use of their UFCU debit and ABILITY™ cards within UFCU's mobile banking app. This feature provides an additional layer of protection supplementing fraud prevention measures already in place.

Expanded UFCU membership to include employees, associates and members of Custom Company Ads, Invenio Solutions, Cedar Park Center/Hicks Cedar Park LLC, Texas Nurse Practitioners Association, Banker's Toolbox, Inc., and Nurses Unlimited.

Provided uninterrupted service to members frequenting the Downtown Financial Center by temporarily relocating to the Ashbel Smith Hall Building, home of the UT Office of the Board of Regents, which was necessitated because the former location was slated for demolition and reconstruction.

Welcomed new university students at orientations on the campuses of The University of Texas, St. Edward's University, Concordia University and Texas State University.

Extended the reach of the UFCU ATM network through deployment of ATMs on the San Marcos and Round Rock campuses of Texas State University and at the Cedar Park Center.

Installed a new Instant-Issue Debit Card platform allowing for enhanced real-time printing of debit cards, thereby readying UFCU to deploy future debit card improvements.

Promoted internal process excellence to enhance member experiences and boost quality service delivery. One example is the Vehicle Buyer's Check – a streamlined process for members purchasing and financing their autos.

As UFCU continues to grow and expand services and financial centers in Central Texas and Galveston, members remain this cooperative's only focus. Thank you for your membership, your business, and for giving UFCU opportunities to provide for your well-being and that of your family. Your cooperative is honored that you share in our success.

Warm regards,



Gerald (Jerry) L. Davis
Chairman



Tony C. Budet
President/CEO



“UFCU helped me start over.”

“Everybody at UFCU is very positive and uplifting. They always have a smile on their faces, and it just makes my day whenever I come in.”



Member
Larry P

Member Since
1994

Service
**Checking,
Auto Loan,
Personal Loan**



Consolidated Statement of Financial Condition (Unaudited)

ASSETS	As of December 31,	
	2014	2013
Cash and Cash Equivalents	\$ 138,665,883	\$ 75,275,665
Investments	132,149,093	306,369,005
Loans to Members (net of allowance for loss)	1,380,227,300	1,171,841,210
Property and Equipment	81,972,309	82,363,802
NCUA Insurance Fund Deposit	15,149,174	14,287,637
Other assets	26,711,323	23,293,613
Total Assets	<u>\$ 1,774,875,082</u>	<u>\$ 1,673,430,932</u>
LIABILITIES AND MEMBERS' EQUITY		
Members' share and savings accounts	\$ 1,585,961,983	\$ 1,509,365,900
Borrowed funds	-	-
Accrued expenses and other liabilities	45,057,740	37,891,746
Total Liabilities	<u>1,631,019,723</u>	<u>1,547,257,646</u>
Members' equity	143,855,359	126,173,286
Total liabilities and members' equity	<u>\$ 1,774,875,082</u>	<u>\$ 1,673,430,932</u>

Consolidated Statement of Income (Unaudited)

	For the years ended December 31,	
	2014	2013
Interest income from loans to members and investments	\$ 65,717,031	\$ 58,253,560
Dividend expense paid to members' deposits and interest on borrowed funds	3,285,715	3,908,186
Net interest income	<u>62,431,317</u>	<u>54,345,374</u>
Provision for loan losses	8,657,289	7,054,482
	<u>53,774,028</u>	<u>47,290,893</u>
Non-interest income	48,923,265	47,106,378
Operating expenses	88,424,230	80,443,088
NCUA Corporate Credit Union Stabilization Expense	-	1,143,011
Net income	<u>\$ 14,273,063</u>	<u>\$ 12,811,172</u>

2014 Report Of The Treasurer



D. Michael Harris

Last year, Austin's vibrant business environment, strong housing market, and job growth combined to generate strong member demand for credit and other financial services. UFCU was able to meet that demand because of members' continuing support for their cooperative, UFCU's prudent lending practices, and its unwavering commitment to deliver quality, competitive products and services.

In 2014, loan disbursements totaled \$1.13 billion, boosting total loans outstanding to \$1.39 billion, an increase of \$210 million, or 18%, from year-end 2013. Member deposits recorded growth of \$77 million, or 5%, bringing the year-end total to \$1.59 billion. Total assets ended the year at \$1.77 billion, representing annual growth of 6%. On total revenue of \$115 million, UFCU generated net income of \$14 million, representing a return on average assets of .83%, boosting member equity by 14% to \$144 million.

It is important to note that UFCU volunteers actively lead and influence the cooperative's financial performance and related decision-making through actions of the Asset Liability Management/Budget Committee, which is chaired by the board-elected treasurer and composed of seven volunteer directors. The Asset Liability Management/Budget Committee meets regularly to review national and local economic conditions, develop and recommend financial policies to the Board of Directors, determine long-term financial objectives and annual financial plans, and monitor ongoing financial performance relative to those objectives.

I am proud to report that UFCU remains financially strong despite a challenging national economic environment, and that UFCU is fully committed to further expanding and enhancing its products and services to meet the evolving financial needs of our 188,000 members.

Warm regards,

A handwritten signature in black ink, appearing to read 'D. Michael Harris'.

D. Michael Harris, Ph.D., CPA, CITP

Treasurer



2014 Supervisory Committee Letter



C. Brian Cassidy

The Supervisory Committee's purpose is to ensure management's financial reporting is timely and accurate, and that management practices safeguard members' assets. The committee assesses whether management has established and maintained effective internal controls, promptly and accurately prepared accounting records and financial reports, and properly administered relevant plans, policies and control procedures to safeguard assets.

The Supervisory Committee makes these determinations by conducting audits and verifications. The committee engaged CPAs Orth, Chakler, Murnane & Co. to audit UFCU's 2014 financial statements. The committee is pleased to announce that the auditors expressed an unmodified opinion, meaning that they determined that UFCU's financial statements present fairly, in all material respects, the financial position of UFCU in accordance with Generally Accepted Accounting Principles. Copies of the report are available to members upon request.

The board-appointed, volunteer members of the Supervisory Committee also regularly review management practices to ensure safety and soundness. Members attend board meetings to stay apprised on matters of governance and meet with management to review and discuss risk, regulatory compliance, and operational issues. The committee also directs the internal audit activities of the Assurance Services function, including review of and follow-up on all audit issues.

The committee receives and promptly answers member letters of complaint sent to UFCU's federal regulator, National Credit Union Administration, to ensure issues are addressed fairly. Committee members also attend educational conferences and stay abreast of industry news through professional publications.

The Supervisory Committee is appreciative of the collaborative working relationship it has with the UFCU Board of Directors, and commends UFCU management for its responsiveness and commitment to addressing all audit and NCUA examination issues.

For their time and efforts, I personally thank fellow committee members: Chris Plonsky, Dr. Ned H. Burns, Laura J. Kilcrease, and Brady Cole, RADM USN SC (Ret).

Sincerely,



C. Brian Cassidy, Esq.
Supervisory Committee Chairman



Leadership



“I can access my account anywhere, anytime!”

“I have been a member of UFCU since I started college, and every interaction I’ve had with a teller has been fast, accurate, and met with great service. As I enter my post-grad life, I see myself continuing to bank with UFCU.”

Member
Joseph V

Member Since
2010

Services
**Checking, Online Banking,
Mobile Banking, ATM**

Board of Directors:

Gerald (Jerry) L. Davis, Chairman
Carl E. Hansen, Ph.D., Vice Chairman
Thomas J. Ardis, Secretary
D. Michael Harris, Ph.D., CPA, CITP, Treasurer
Neal E. Armstrong, Ph.D.
Cynthia A. Leach
C. Cale McDowell, J.D.
John A. Martin
David W. Niesel, Ph. D.
Mary A. Seng
Ellen E. Wood
George K. Herbert, Ph.D., J.D., Director Emeritus
Frank J. Peters, Director Emeritus

Supervisory Committee:

C. Brian Cassidy, J.D., Chairman
Chris A. Plonsky, Secretary
Ned H. Burns, Ph.D.
Brady M. Cole, RADM USN SC (Ret)
Laura J. Kilcrease

Principal Officers:

Tony C. Budet, President/CEO
Yung V. Tran, CPA, Executive Vice President
Denise M. Cheles, VP, Virtual Retail
Michael E. Crowl, CPA, VP, Finance/CFO
Heather M. McKissick, VP, HR/Organizational Development
John C. Petrey, VP, Information Technology/CIO
Aaron M. Persons, VP, Retail Services
Laurie A. Roberts, SVP, Lending/CLO
Ellen S. Simpson, VP, Enterprise Risk Management
Sheila Jo Wojcik, Ph.D., SVP, Communications/Corporate Affairs

UFCU.org

