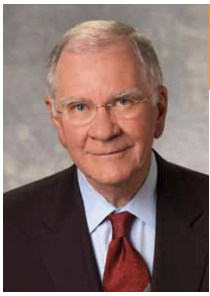




2011

ANNUAL REPORT



Carl E. Hansen

REPORT OF THE Chairman & President



Tony C. Budet

In its 75th year, University Federal Credit Union (UFCU) delivered exceptional service to its members while achieving strong financial performance and superior asset and membership growth. Members' continued confidence in UFCU and the relative strength of the local economy resulted in year-end assets exceeding \$1.4 billion, representing annualized growth of 15%. Additionally, audit and examination results were exemplary.

Noteworthy 2011 accomplishments include:

- UFCU membership was expanded to include employees of People's Community Clinic, Flintco Constructive Solutions, HelioVolt, Emancipet, and the Seton Family of Hospitals.
- UFCU expanded its relationship with St. Edward's University (SEU) through establishment of a naming gift and sponsorship to fund and remodel the campus Alumni Gym. At year end, plans had been finalized to launch an affinity credit card to benefit the SEU Alumni Association.
- Service delivery was enhanced by means of process improvements, including: electronic titling for automobiles; ATM/Debit Card processing conversion to the VISA® DPS Network including migration of 71 UFCU ATMs to a wireless-cell tower-based telecommunications structure; and automated lending by which members can apply online for a consumer loan, receive a decision, and, if approved, sign loan documents electronically through a secure process.
- The IT department made technology-based enhancements to member account offerings including: a new Mobile Banking platform providing members with choices regarding account access, including application-based web browser and text messaging; a free online personal financial management tool to provide members with a holistic view of their financial assets and liabilities; and Mobile Deposits by which members can take an image of a check via their smartphone and electronically deposit it into their UFCU account.
- UFCU implemented a partnership with CU Campus Resources for a new private student loan program targeted to the university partners we serve.
- The volunteer board of directors restated the UFCU Mission, Vision and Values to more clearly acknowledge UFCU's relationships with university communities served.
- Employee service skills were enhanced by participation in an eight-week Member Advantage sales and service excellence program.
- In partnership with UT Athletics, UFCU launched a healthy kid's initiative. This endeavor encouraged youth aged 7 to 13 to

participate in healthy activities and eating behaviors throughout the summer. Those who completed the summer activity participated in a sports clinic at UFCU Disch-Falk Field.

- In support of the World Council of Credit Unions, UFCU hosted representatives of SICREDI, a credit union based in Porto Allegre, Brazil, that annually schedules staff global visits to gain perspective and learn from others in the credit union movement. SICREDI is an amalgamation of different credit unions that have come together under one name and one brand in order to more strongly compete.
- Strengthening UFCU's position as an employer of choice, it offered a new benefit to employees, White Glove Health Care. White Glove provides in-home and/or in-office medical services for minor illnesses, routine health screenings, onsite flu shots and other wellness services.
- Finally, considerable effort was expended in 2011 to boost both physical convenience for members and internal operating efficiencies, respectively, through construction of five new financial centers and purchase of a large corporate facility that will soon serve as the cooperative's headquarters for the foreseeable future. In early 2012, a replacement financial center opened on Highway 79 and new interactive financial centers will open during the spring season at Teravista, Pflugerville, Scofield, and Westlake. Purchase of the 8303 MoPac corporate facility was consummated in January 2012, and consolidation of administrative staff from four North Austin locations into that facility is anticipated to begin mid-2013.

As UFCU continues to grow and expand services and financial center locations, you, our members, remain the cooperative's only focus. Thank you for your membership and your business!

Warm regards,

Carl E. Hansen
Chairman

Tony C. Budet
President/CEO

2011

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

ASSETS	As of December 31,	
	2011	2010
Cash and Cash Equivalents	\$200,774,746	\$98,575,425
Investments	351,439,683	338,504,267
Loans to members (Net of Allowance for Loss)	831,466,751	776,644,437
Property and Equipment	40,266,482	27,814,019
NCUA Insurance Fund Deposit	11,918,406	10,578,861
Other assets	24,056,639	16,329,731
Total assets	\$1,459,922,708	\$1,268,446,740
LIABILITIES AND MEMBERS' EQUITY		
Members' share and savings accounts	\$1,326,973,647	\$1,150,527,134
Borrowed funds	0	0
Accrued expenses and other liabilities	28,741,577	20,919,210
Total liabilities	1,355,715,224	1,171,446,344
Members' equity	104,207,484	97,000,396
Total liabilities and members' equity	\$1,459,922,708	1,268,446,740

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	For the years ended December 31,	
	2011	2010
Interest income from loans to members and investments	\$56,308,251	\$57,269,650
Dividend expense paid to members' deposits and interest on borrowed funds	8,813,807	10,607,097
Net interest income	47,494,445	46,662,553
Provision for loan losses	6,588,586	6,738,511
	40,905,859	39,924,042
Non-interest income	28,937,685	27,784,886
Operating expenses	58,626,165	53,114,464
NCUA Corporate Credit Union Stabilization Expense	2,979,601	3,207,586
Net income	\$8,237,777	\$11,386,878



REPORT OF THE

Supervisory Committee

Les W. Carter

The primary responsibility of the Supervisory Committee is to ensure University Federal Credit Union's (UFCU) financial statements are fair and accurate. To that end, the committee engaged CPAs Orth, Chakler, Murnane & Co. to audit the financial statements. We are pleased to announce the auditors expressed an unqualified opinion. This "clean" opinion is issued when financial statements are free of material misstatements and are represented fairly in accordance with Generally Accepted Accounting Principles (GAAP). The credit union's financial condition, position and results of operations are fairly presented in the financial statements. Copies of the report are available upon request.

The board-appointed, volunteer members of the Supervisory Committee are concerned with all issues of safety and soundness. We regularly review management practices to ensure UFCU's assets are properly protected. We attend board meetings to stay apprised on matters of governance, and meet with members of management to review and discuss risk, regulatory compliance and UFCU policies. The committee also directs the internal audit activities of Assurance Services, including review and follow-up of all audit issues.

The committee receives and answers member letters of complaint sent to the federal regulator, the National Credit Union Administration (NCUA), to ensure issues are addressed fairly. In addition, committee members attend educational conferences and stay abreast of industry news through professional publications.

The Supervisory Committee is grateful to UFCU's board of directors for its support and exemplary working relationship. We commend management for its responsiveness and commitment to all audit and NCUA examination issues, as well as network and information security, member privacy and employee safety.

For their time, efforts, and devotion to committee goals, I personally thank fellow committee members: Dr. Ned H. Burns, C. Brian Cassidy, J.D., C. Cale McDowell, J.D., Chris Plonsky, and Dr. Marilla Svinicki.

Warm regards,

Les W. Carter

Supervisory Committee
Chairman



REPORT OF THE

Treasurer

Mary A. Seng

As challenges in the housing sector and a weak labor market continued in 2011, member credit and financial needs were high. University Federal Credit Union (UFCU) was able to meet those needs as a result of your continuing support for our cooperative and its prudent lending practices and unwavering commitment to deliver quality, competitive products and services.

In 2011, loan disbursements to members totaled \$771 million, boosting total loans outstanding to \$838 million, an increase of \$54 million, or 7%. Members' deposits recorded growth of \$176 million, or 15%, bringing the year-end total to \$1.33 billion. Total assets ended the year at \$1.46 billion, representing annual growth of 15%. On total revenue of \$85 million, UFCU generated net income of \$8.2 million, representing a return on average assets of .60%, boosting members' equity by 7% to \$104 million.

It is important to note that UFCU volunteers actively lead and influence the cooperative's financial performance and decision-making through actions of the Asset Liability Management/Budget Committee, which is chaired by the board-appointed treasurer and composed of five volunteer directors. This committee meets monthly 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, despite an extremely challenging economic environment, UFCU remains financially strong and fully committed to further expanding and enhancing its products and services to meet the evolving financial needs of its 142,000 members.

Warm regards,

Mary A. Seng

Treasurer

Leadership

Carl E. Hansen, Ph.D., Chairman

Neal E. Armstrong, Ph.D., Vice Chairman

Cynthia A. Leach, Secretary

Mary A. Seng, Treasurer

Thomas J. Ardis

Gerald (Jerry) L. Davis

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

John A. Martin

Ellen E. Wood

George K. Herbert, Ph.D., J.D., Director Emeritus

Frank J. Peters, Director Emeritus

Supervisory Committee

Les W. Carter, D.B.A., Chairman

Chris A. Plonsky, Secretary

Ned H. Burns, Ph.D.

C. Brian Cassidy, J.D.

Marilla Svinicki, Ph.D.

C. Cale McDowell, J.D. – Associate member

Principal Officers

Tony C. Budet, President/CEO

Steve M. Ewers, VP Information Technology/CIO

Steve E. Kubala, SVP Operations/COO

Becky M. LeBlanc, VP Leadership

James A. Nastars, SVP Lending/Collections

Yung V. Tran, CPA, EVP Finance/CFO

Sheila J. Wojcik, Ph.D., VP Membership

Over 40 Austin - Area Locations

TO SERVE YOU

NORTH

- 1 **TERAVISTA**
571 University Blvd, Round Rock TX
- 2 **WHITESTONE**
3200 E Whitestone Blvd, Cedar Park, TX
- 3 **HIGHWAY 79**
120 Palm Valley Cove, Round Rock, TX
- 4 **LAKELINE**
13860 Hwy 183N, Austin, TX
- 5 **PFLUGERVILLE**
15116 FM 1825, Pflugerville, TX
- 6 **SCOFIELD**
1500 W Parmer Ln, Austin, TX

WEST

- 7 **LAKEWAY**
(MORTGAGE SERVICES)
1213 Ranch Road 620S, Lakeway, TX

CENTRAL

- 8 **STECK**
3305 Steck Ave, Austin, TX
- 9 **SHOAL CREEK**
(MORTGAGE SERVICES)
8100 Shoal Creek Blvd, Austin, TX
- 10 **N GUADALUPE**
4611 Guadalupe St, Austin, TX
- 11 **UNIVERSITY**
2244 Guadalupe St, Austin, TX
- 12 **DOWNTOWN**
702 Colorado St, Austin, TX

SOUTH

- 13 **WESTLAKE**
701 S Capital of Texas Hwy,
Westlake, TX
- 14 **S MoPac**
5033 US Hwy 290 W, Austin, TX
- 15 **BEN WHITE**
130 E Ben White Blvd, Austin, TX
- 16 **BRODIE**
9925 Brodie Ln, Austin, TX

PLUS! Over 25 Shared Branching locations are also available to UFCU members!
cuservicecenter.com

