

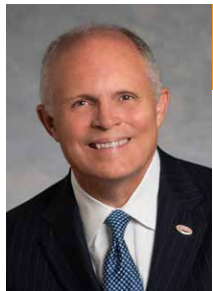
2013 ANNUAL REPORT

UFCU Plaza
Corporate Facility, 2013



Proud Of The
Communities
We Serve

 **University**
FEDERAL CREDIT UNION
Live Learn Prosper



Gerald L. Davis

REPORT OF THE Chairman & President



Tony C. Budet

In its 77th year, University Federal Credit Union continued to deliver on its mission to provide for the well-being of our members. Thanks to the trust placed in this financial service cooperative by our member-owners and the continued strength of the local economy, assets exceeded \$1.67 billion in 2013, representing annualized growth of 7%. Once again, audit and examination results were exemplary.

Noteworthy 2013 accomplishments include:

- Expanded field of membership to include Texas State University's San Marcos and Round Rock campuses. In August, UFCU participated in the Texas State University Student Involvement Fair for the first time. We continue to develop relationships with this "rising Star of Texas," especially with Dr. Denise Trauth and her President's Cabinet. We also included Temple College – East Williamson County Higher Education Campus in our higher education field of membership. The EWCHEC, which opened in fall 2013, is a multi-institutional teaching center providing a wide array of education opportunities and workforce readiness programs to all of East Williamson County.
- Completed renovation of UFCU Plaza at 8303 N. MoPac, our new corporate facility, and relocated staff from leased space, as well as from the Steck and Shoal Creek facilities, to include all support and non-branch operational staff except for IT, which will relocate in 2016. Additionally, UFCU sold both the 8100 Shoal Creek Boulevard facility and the 3305 Steck Avenue facility. The first board meeting was held in UFCU Plaza in October.
- Implemented a new loan origination system, Akcelarent, to increase efficiencies and make it easier to do business and secure consumer loans with UFCU.
- Notified by UT Austin in October that we were selected to operate its campus ATMs, for the foreseeable future. On another note, UFCU signed an amendment to extend our ATM lease on the Galveston-based UTMB campus through December 31, 2015.
- Converted Whitestone Financial Center to an Interactive Financial Center Model, allowing us to serve members without the barriers of the traditional teller line.

- Expanded membership to include employees, associates, and members of Querencia at Barton Creek, Hey Cupcake!, Westbank Libraries, Everest Institute, Teco Westinghouse, Central Texas Powersports, Austin Association of Insurance Professionals, The Club at Wells Point Homeowners Association, Austin Young Chamber of Commerce, Electronic Arts, Virtus Real Estate Capital, ATMI, Keller Williams Realty, ETS Lundgren, Hispanic Bar Association of Texas, Multimedia Games, Key Staff Inc., H.A.N.D. (Helping the Aging, Needy and Disabled, Inc.), Children's Courtyard, and the Texas Nursing Association, District 5.
- Served the Greater Austin Community as lead sponsor of Amplify Austin's 1st annual day of giving, contributing \$100,000 to the effort. Amplify Austin targeted a 24 hour period during which it aimed to raise \$1 million for Austin-area charitable organizations on an online basis. The effort raised well over \$3 million for local nonprofits and was considered an extraordinary success.
- Garnered the advocacy of UFCU members to communicate to their legislators support for continuing credit unions' federal tax exemption through the "Don't Tax My Credit Union" campaign in conjunction with the Credit Union National Association.

As UFCU approaches \$2 billion in assets and expands its network of Financial Centers in Central Texas and Galveston, you, our members, remain the cooperative's only focus. Thank you for your membership and your business, and for giving us opportunities to provide for your well-being and that of your family.

Warm regards,

Gerald L. Davis
Chairman

Tony C. Budet
President/CEO

2013

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

ASSETS	As of December 31,	
	2013	2012
Cash and Cash Equivalents	\$75,275,665	\$164,596,994
Investments	306,369,005	387,173,409
Loans to Members (net of allowance for loss)	1,171,841,210	893,792,925
Property and Equipment	82,363,802	79,764,948
NCUA Insurance Fund Deposit	14,287,637	13,300,772
Other assets	23,293,613	30,260,341
Total Assets	\$1,673,430,932	\$1,568,889,390

LIABILITIES AND MEMBERS' EQUITY

Members' share and savings accounts	\$1,509,365,900	\$1,422,067,043
Borrowed funds	-	-
Accrued expenses and other liabilities	37,891,746	30,557,982
Total Liabilities	1,547,257,646	1,452,625,025
Members' equity	126,173,286	116,264,365
Total liabilities and members' equity	\$1,673,430,932	\$1,568,889,390

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	For the years ended December 31,	
	2013	2012
Interest income from loans to members and investments	\$58,253,560	\$53,531,847
Dividend expense paid to members' deposits and interest on borrowed funds	3,908,186	5,740,571
Net interest income	54,345,374	47,791,276
Provision for loan losses	7,054,482	4,745,411
	47,290,893	43,045,865
Non-interest income	47,106,378	42,162,148
Operating expenses	80,443,088	74,017,635
NCUA Corporate Credit Union Stabilization Expense	1,143,011	1,263,573
Net income	\$12,811,172	\$9,926,805



REPORT OF THE

Supervisory Committee

C. Cale McDowell

The Supervisory Committee's goals are to ensure that management's financial reporting objectives are met, and that management practices and procedures safeguard members' assets. To achieve these two goals, the committee is responsible for determining whether management has established and maintained effective internal controls; promptly and accurately prepared accounting records and financial reports; properly administered relevant plans, policies, and control procedures that safeguard assets.

The Supervisory Committee makes these determinations primarily by conducting audits and verifications. The committee engaged CPAs Orth, Chakler, Murnane & Co. to audit UFCU's financial statements. We are pleased to announce that the auditors expressed an unmodified opinion, meaning that the financial statements present fairly, in all material respects, the financial position of UFCU in accordance with Generally Accepted Accounting Principles (GAAP). Copies of the report are available 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 operations. The committee also directs the internal audit activities of Assurance Services, including review and follow-up of 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 that issues are addressed fairly. Committee members also 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 the exemplary working relationship we've established. We commend management for its responsiveness and commitment to addressing all audit and NCUA examination issues.

For their time, efforts, and devotion to committee goals, I personally thank fellow committee members: Chris Plonsky, Dr. Ned H. Burns, C. Brian Cassidy, Esq., and Brady Cole, RADM USN SC (Ret).

Warm regards,

C. Cale McDowell, J.D.

Supervisory Committee Chairman



REPORT OF THE

Treasurer

D. Michael Harris

As Texas in 2013 experienced a vibrant business environment, strong housing market and job growth, member credit and financial needs were in high demand. University Federal Credit Union was able to meet those needs as a result of your continuing support for our cooperative, its prudent lending practices, and its unwavering commitment to deliver quality, competitive products and services.

In 2013, loan disbursements to members reached a new milestone of \$1.13 billion, boosting total loans outstanding to \$1.18 billion, an increase of \$279 million or 31%. Members' deposits recorded growth of \$87 million, or 6%, bringing the year-end total to \$1.51 billion. Total assets ended the year at \$1.67 billion, representing annual growth of 7%. On total revenue of \$105 million, UFCU generated net income of \$13 million, representing a return on average assets of .79%, boosting members' equity by 9% to \$126 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 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 despite a challenging national 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 173,000 members.

Warm regards,

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

Treasurer

Leadership

Gerald (Jerry) L. Davis, Chairman

John A. Martin, Vice Chairman

Ellen E. Wood, Secretary

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

Thomas J. Ardis

Neal E. Armstrong, Ph.D.

Carl E. Hansen, Ph.D.

Cynthia A. Leach

Mary A. Seng

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

Frank J. Peters, Director Emeritus

Supervisory Committee

C. Cale McDowell, J.D., Chairman

Chris A. Plonsky, Secretary

Ned H. Burns, Ph.D.

C. Brian Cassidy, J.D.

Brady M. Cole, RADM USN SC (Ret)

Principal Officers

Tony C. Budet, President/CEO

Yung V. Tran, CPA, Executive Vice President

Michael E. Crowl, CPA, VP, Finance/CFO

Jeff E. Goff, VP, Business Services

Heather M. McKissick, VP, HR/Organizational Development

John C. Petrey, VP, Information Technology/CIO

Aaron M. Persons, VP, Retail Services

Laurie A. Roberts, SVP, Mortgage and Consumer Lending

Ellen S. Simpson, VP, Enterprise Risk Management

Sheila Jo Wojcik, Ph.D., SVP, Communications/Corporate Affairs

Locations

BEN WHITE

130 E Ben White Blvd
Austin, TX

BRODIE

9925 Brodie Ln
Austin, TX

DOWNTOWN

702 Colorado St
Austin, TX

GALVESTON

428 Postoffice St
Galveston, TX

HIGHWAY 79

120 Palm Valley Cv
Round Rock, TX

LAKELINE

13860 Hwy 183 N
Austin, TX

LAKEWAY MORTGAGE SERVICES

1213 Ranch Road 620 S
Lakeway, TX

NORTH GUADALUPE

4611 Guadalupe St
Austin, TX

PFLUGERVILLE

15116 FM 1825
Pflugerville, TX

SCOFIELD

1500 W Parmer Ln
Austin, TX

SOUTH MoPac

5033 US Hwy 290 W
Austin, TX

STECK

3305 Steck Ave
Austin, TX

TERAVISTA

571 University Blvd
Round Rock, TX

UFCU PLAZA MORTGAGE SERVICES

8303 N MoPac Expy, Suite A105
Austin, TX

UNIVERSITY

2244 Guadalupe St
Austin, TX

WESTLAKE

701 Capital of Texas Highway S
Westlake Hills, TX

WHITESTONE

3200 E Whitestone Blvd
Cedar Park, TX

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