

2018 ANNUAL REPORT



“With help from UFCU, I improved my credit rating, refinanced my auto loan to reduce my monthly payment, and took two years off my loan term!”

Member
Benny G

Member Since
2016



From the Chairman and President



John A Martin



Tony C Budet

Looking back on 2018, we recognize how truly fortunate we are to be part of such strong communities. A community cannot prosper unless its residents have access to quality education, employment, and housing opportunities, and Central Texas and Galveston County offer all this and more. As our communities continue to grow and thrive, so does UFCU, and we are grateful to be able to do our part to improve the financial health of our Members, our employees, and our broader communities.

This year, we were named Austin's #1 Mortgage Company and #1 Credit Union by the *Austin Business Journal* for the third year in a row. The accolades didn't stop there: The *Austin American-Statesman* named UFCU the "Best Mortgage Lender," "Best Credit Union," and "Best Bank" in its inaugural "Best of the Best Awards." More than 250,000 Austinites cast their votes, and we are so thankful for their trust and support.

In July, we opened our Mueller Interactive Financial Center to better serve our Members in Northeast and Central Austin, and we have two more openings on the horizon. This year, we will open our UFCU Trinity location in the Dell Medical Center's Health Transformation Building in downtown Austin, and in 2020, we plan to open one in South Austin along I-35. In addition to the added convenience of more locations, we are proud to continue offering terrific certificate and loan rates.

We couldn't achieve these accomplishments without our amazing employees. According to Gallup®, our percentage of engaged employees — workers who are involved in, enthusiastic about, and committed to their work and workplace — is at an exceptional 98th percentile of all organizations polled by Gallup. All of us here at UFCU are passionate about fulfilling our mission, and it shows.

No matter how you look at it, 2018 was the most successful year in our 83-year history. We can't wait to see what happens next. Thank you, as always, for your continued membership and support.

Warmest regards,

John A Martin
Chairman

Tony C Budet
President/CEO

“2018 was the most successful year
in our 83-year history. We can’t wait
to see what happens next.”

—Tony C Budet



Community Impact in 2018



By deploying our products and services as well as our financial and human resources, we worked alongside community partners in 2018 to achieve measurable goals. Armed with our evolved social purpose, the UFCU DO GOOD employee volunteer program made a significant impact within our communities.*



350

Employee Volunteers



3,957

Hours Volunteered



\$75,734

Employee Donations with
UFCU Match

Looking Ahead

As a social purpose credit union, we actively focus on helping those around us lead happier, healthier lives. We are uniquely suited to hone in on the financial health of our Members and employees, and so have begun expanding our attention outward into our greater communities.

Our work in 2018 revealed three mainstays of community prosperity, and we hope to affect substantial change in these areas in the years to come:

Education

Increasing college readiness, access, and success.

Employment

Expanding access to middle-skill jobs, and reducing barriers to work.

Housing Affordability

Improving access to affordable housing, and increasing the number of those who are able to achieve home ownership.

“When each of us can find an individual path to learning, to meaningful employment, and to home ownership, our communities will be even stronger. We will continue to explore new ways to provide for the well-being of our Members, and build a community that provides an opportunity for all.”

—Heather M McKissick, SVP Community Impact

*Data as of December 31, 2018

From the Treasurer



Last year, Austin continued to see a thriving business environment, housing market, and job market that generated high demand for financial services. We met that demand, thanks to Member support, prudent lending practices, and our commitment to high quality, competitive products and services.

In 2018, loan disbursements totaled \$1.7 billion, boosting total loans outstanding to \$2.13 billion, an increase of \$198 million, or 10%, from 2017. We helped 20,000 Members buy a vehicle and 2,900 buy a home. Member deposits recorded growth of \$161 million, or 8%, bringing the year-end total to \$2.14 billion. Total assets ended the year at \$2.40 billion, representing annual growth of 7%. Together with over \$450 million in Member investments under our wealth management program, total assets under management amount to \$2.85 billion. On total

revenue of \$168 million, UFCU generated a net income of \$22 million, representing a Return on Average Assets of .96%, elevating Member equity by 12% to \$213 million.

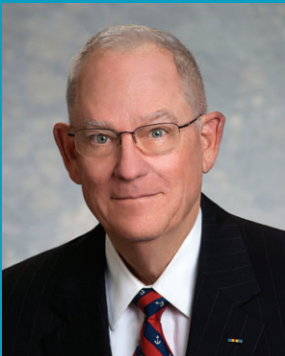
Volunteers lead our financial performance through actions of the Asset Liability Management/Budget Committee, which reviews financial performance, establishes and monitors financial policies, and determines financial objectives. UFCU remains financially strong and is committed to enhancing our products and services to meet the evolving needs of more than 252,000 Members.

A handwritten signature in black ink, appearing to read "C. Cale McDowell".

C Cale McDowell, JD

Treasurer

From the Supervisory Committee



Our purpose is to ensure accurate reporting and excellent management practices to adequately safeguard our Members' assets. We help to maintain internal controls, produce accurate financial reporting, and ensure relevant plans, policies, and procedures are in place.

This year, we engaged the CPA firm of Moss Adams LLP to audit UFCU's 2018 financial statements. We are pleased the auditors determined 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.

We regularly review management practices, stay apprised of governance matters, and

review risk, regulatory compliance, and operational issues. We make determinations by conducting audits and verifications, and directing internal audit activities.

Our committee also handles Member letters of complaint sent to the National Credit Union Administration (NCUA), and we help ensure issues are addressed fairly.

Many thanks to the UFCU Board and management for their commitment to addressing all audit and NCUA examination issues.

A handwritten signature in black ink, appearing to read "Brady M. Cole".

Brady M Cole, RADM USN SC (Ret)

Supervisory Committee Chairman

Consolidated Statement of Financial Condition (Unaudited)

	As of December 31	
	2018	2017
Assets		
Cash and Cash Equivalents	\$115,601,695	\$136,991,147
Investments	8,178,232	26,585,752
Loans to Members (Net of Allowance for Loan Losses)	2,114,491,507	1,916,580,481
Property and Equipment	81,088,531	82,079,548
NCUA Insurance Fund Deposit	19,813,822	18,574,192
Other Assets	61,482,893	56,048,364
Total Assets	<u>\$2,400,656,680</u>	<u>\$2,236,859,484</u>
Liabilities and Members' Equity		
Members' Share and Savings Accounts	\$2,141,416,559	\$1,980,681,958
Borrowed Funds	0	0
Accrued Expenses and Other Liabilities	46,488,299	65,862,725
Total Liabilities	<u>2,187,904,858</u>	<u>2,046,544,683</u>
Members' Equity	212,751,822	190,314,801
Total Liabilities and Members' Equity	<u>\$2,400,656,680</u>	<u>\$2,236,859,484</u>

Consolidated Statement of Income (Unaudited)

	For the Years Ended December 31	
	2018	2017
Interest Income from Loans to Members and Investments	\$88,371,144	\$80,213,125
Dividend Expense Paid to Members' Deposits and Interest on Borrowed Funds	4,255,479	2,397,627
Net Interest Income	84,115,665	77,815,498
Provision for Loan Losses	10,555,409	13,756,388
Net Income after Provision for Loan Losses	73,560,256	64,059,110
Non-Interest Income	80,154,005	71,108,989
Operating Expenses	131,402,997	121,225,962
Net Income	<u>\$22,311,264</u>	<u>\$13,942,137</u>



“UFCU has made me feel secure. They just need to go on doing the same wonderful things they’ve been doing.”

Member
Katherine S

Member Since
1972

Board of Directors & Senior Leadership

Board of Directors

John A Martin, Chairman
D Michael Harris, PhD, CPA.CITP, Vice Chairman
Laura J Kilcrease, Secretary
C Cale McDowell, JD, Treasurer
Linus N Akanoh, Jr, CIA, CISA, CRMA, CGMS
Thomas J Ardis, MBA
Leslie L Blanke, PhD
Adriana R Cruz
Maninder (Mini) Kahlon, PhD
Molly Beth Malcolm, EdD, LPC
David W Niesel, PhD

Directors Emeritus

Carl E Hansen, PhD
Cynthia A Leach
Frank J Peters
Mary A Seng

Supervisory Committee

Brady M Cole, RADM USN SC (Ret), Chairman
Christine A Plonsky, Secretary
Kathryn E Hoyt
Faraz Khan
Ellen E Wood

Committee Volunteer

Steven K Darnell, CPA, MBA

Principal Officers

Tony C Budet, President/CEO
Michael E Crowl, CPA, EVP Member Experience
Yung V Tran, CPA, EVP Operations & Strategy
Heather M McKissick, SVP Community Impact
Laurie A Roberts, SVP Lending/CLO
Michael F Clifford, VP Information Technology/CIO
Rhonda N Hall, VP Human Resources
& Organizational Development
Ellen S Simpson, VP Enterprise Risk Management

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