



2012

ANNUAL REPORT





Neal E. Armstrong

REPORT OF THE Chairman & President



Tony C. Budet

In its 76th year, University Federal Credit Union (UFCU) continued to deliver on its mission to provide for the well-being of our members. Thanks to the continued confidence placed in this financial institution by our members and the strength of Texas' economic climate, assets exceeded \$1.5 billion in 2012, representing annualized growth of 7.5%. Additionally, audit and examination results were exemplary.

Noteworthy 2012 accomplishments include:

- Member convenience was greatly enhanced through deployment of new financial centers in both north and south Austin. New locations include Teravista, Scofield, Pflugerville and Westlake. Additionally, our Round Rock Highway 79 financial center was relocated to a new, larger and much more accessible facility.
- To better meet the needs of our growing membership, UFCU purchased a new facility to serve as corporate headquarters at 8303 N. MoPac Expressway. UFCU will begin to occupy the building in the summer of 2013, relocating staff from four separate locations throughout Austin.
- UFCU membership was expanded to include employees, associates and members of Austin Staffing Inc., Intific Inc., Sears Customer Care Call Center, Affiniscape, St. Jude Medical, S.C., Inc. – U.S. Division, Capital City Pancakes LLC. (DBA The Original Pancake House), Protect America, Neighborhood Association of Southwestern Williamson County, The Hospital at Westlake Medical Center, Teravista Community Association, White Glove Health Inc., Ebay Inc., HomeAway.com Inc., Indeed.com, Cleanscapes, Accruent.com, Blizzard Entertainment, Central Texas Harley-Davidson and Woods Fun Center.
- UFCU introduced the ABILITY™ VISA® Prepaid Debit Card, a member-friendly alternative to credit cards and traditional banking. Unlike other prepaid cards, with the UFCU ABILITY card members gain access to all of UFCU's free services including Online Banking, Mobile Banking, Bill Pay and 300-plus free ATMs in the Austin and Galveston areas.
- UFCU partnered with St. Edward's University Alumni Association to offer a new affinity credit card for alumni, friends, parents and supporters.

- Member convenience was further enhanced through Mobile Deposit for iPhone and Android phones. Members deposit checks anytime and anywhere using their mobile devices.
- UFCU supplemented our FirstTime Homebuyers Program with a new FHA Streamline Refinance Program, which allows members with FHA mortgage loans to refinance with a lower rate and monthly payment.
- Our leadership team and volunteer Board of Directors set strategic priorities for the 2013-2017 timeframe that will further expand and enhance member service and ensure financial and competitive strength of our credit union. These priorities include expansion and enhancement of mortgage lending, services for business owners, wealth management services and an evolving suite of eServices designed to enhance remote access and convenience.

As UFCU continues to grow and expand services and financial center locations, you, our members, remain the cooperative's only focus. We are proud and honored to assist you in managing your financial affairs. Thank you for your membership, your business and giving us opportunities to provide for your well-being and that of your family.

Warm regards,

Neal E. Armstrong, Ph.D.
Chairman

Tony C. Budet
President/CEO

2012

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

ASSETS	As of December 31,	
	2012	2011
Cash and Cash Equivalents	\$164,596,994	\$200,774,746
Investments	387,173,409	351,439,683
Loans to members (Net of Allowance for Loss)	893,792,925	831,466,751
Property and Equipment	79,764,948	40,266,482
NCUA Insurance Fund Deposit	13,300,772	11,918,406
Other assets	30,260,341	24,056,639
Total assets	\$1,568,889,390	\$1,459,922,708
LIABILITIES AND MEMBERS' EQUITY		
Members' share and savings accounts	\$1,422,067,043	\$1,326,973,647
Borrowed funds	0	0
Accrued expenses and other liabilities	30,557,982	28,741,577
Total liabilities	1,452,625,025	1,355,715,224
Members' equity	116,264,365	104,207,484
Total liabilities and members' equity	\$1,568,889,390	\$1,459,922,708

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	For the years ended December 31,	
	2012	2011
Interest income from loans to members and investments	\$53,531,847	\$56,308,251
Dividend expense paid to members' deposits and interest on borrowed funds	5,740,571	8,813,807
Net interest income	47,791,276	47,494,445
Provision for loan losses	4,745,411	6,588,586
	43,045,865	40,905,859
Non-interest income	42,162,148	28,937,685
Operating expenses	74,017,635	58,626,165
NCUA Corporate Credit Union Stabilization Expense	1,263,573	2,979,601
Net income	\$ 9,926,805	\$ 8,237,777



REPORT OF THE Supervisory Committee

Les W. Carter

The Supervisory Committee's goals are to ensure management's financial reporting objectives are met and 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 prepared accounting records and financial reports to accurately reflect operations and results.*
- *Properly administered relevant plans, policies, and control procedures established by the board of directors.*
- *Established policies and control procedures that safeguard assets.*

The Supervisory Committee makes these determinations primarily through conducting audits and verifications. The committee engaged CPAs Orth, Chakler, Murnane & Co. to audit the financial statements. We are pleased to announce the auditors expressed an unqualified opinion. The financial statements are free of material misstatements and are represented fairly 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. We 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 the federal regulator, the National Credit Union Administration (NCUA), 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 grateful to UFCU's Board of Directors for its support and the exemplary working relationship established. We commend management for its responsiveness and commitment to address 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, J.D., and C. Cale McDowell, J.D.

Warm regards,

Les W. Carter

Supervisory Committee Chairman



REPORT OF THE Treasurer

Mary A. Seng

Despite continuing economic challenges on the national front, locally in Austin we are blessed with a vibrant business environment, strong housing market and job growth. Member credit and financial needs were high, and 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 2012, loan disbursements to members totaled \$952 million. This strong loan production helped offset loan payments and refinancing, and increased total loans outstanding by \$61 million, or 7% to \$900 million. Members' deposits recorded growth of \$95 million, or 7%, bringing the year-end total to \$1.42 billion. Total assets ended the year at \$1.57 billion, representing annual growth of 8%. On total revenue of \$92 million, UFCU generated net income of \$10 million, representing a return on average assets of .66%, boosting members' equity by 12% to \$116 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 a 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 158,000 members.

Warm regards,

Mary A. Seng

Treasurer

Leadership

Neal E. Armstrong, Ph.D., Chairman

Gerald (Jerry) L. Davis, Vice Chairman

Cynthia A. Leach, Secretary

Mary A. Seng, Treasurer

Thomas J. Ardis

Carl E. Hansen, Ph.D.

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.

C. Cale McDowell, J.D.

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

Steve E. Kubala, SVP, Operations/COO

Aaron M. Persons, VP, Wealth Management

Laurie A. Roberts, VP, Real Estate

Ellen S. Simpson, VP, Enterprise Risk Management

Sheila Jo Wojcik, Ph.D., SVP, Communication/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 CENTER

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

SHOAL CREEK MORTGAGE CENTER

8100 Shoal Creek Blvd
Austin, TX

SOUTH MoPAC

5033 US Hwy 290 W
Austin, TX

STECK

3305 Steck Ave
Austin, TX

TERAVISTA

571 University Blvd
Round Rock, TX

UNIVERSITY

2244 Guadalupe St
Austin, TX

WESTLAKE

701 Capital of Texas Highway S
Westlake Hills, TX

WHITSTONE

3200 E Whitestone Blvd
Cedar Park, TX

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