

2016 ANNUAL REPORT

ufcu

“UFCU put home ownership within our reach.”

“When we compare our experiences at UFCU with our friends’ experiences at other banks, we realize how fortunate we are.”



Members

Bartosz & Kamila S

Members Since

2002

Services

**Checking, Savings,
Mortgage Loan,
Auto Loan**

Representatives

Ninfa C and Rohan K



From the Chairman and President



Ellen E Wood



Tony C Budet

After 80 years of service, our values stand firm. People matter. We recognize that when our financial affairs are in order, life tends to be good. Conversely, life can be very difficult when we struggle financially. So it's our passion and mission to empower our Members in their pursuit of financial health and, by extension, their overall well-being.

As we look back on last year, we are deeply grateful for our Members, our employees, and the communities we call home. More than ever, our success is dependent upon the Member-owners of this cooperative effort we call University Federal Credit Union and the vitality of the economies of our cities and State. Austin, Galveston County, and Texas continue to be exceptionally good places to live, work, and play. In fact, our brand strength and awareness position us to use our abundant resources — people, capital, influence, relationships, and scale — to substantially boost quality of life in the communities we serve.

This year, we enabled hundreds of Members to purchase homes and are proud to have been named Austin's #1 Mortgage Company by the Austin Business Journal. We also opened two new financial centers, one in San Marcos, the other at The University of Texas™ Gregory Gym, and we expanded membership to include Austin Community College faculty, staff, and students.

Our efforts did not stop there. We focused on enhancing the Member experience, succeeded in launching our Digital Specialist program, and enhanced tools that empower Members to get things done quickly so they can get back to the business of life. New features like credit card fraud text alerts, Touch ID®, and Passcode for Mobile Banking greatly simplify the banking experience. We also installed a new ATM on Riverside Drive — because convenience matters.

It was quite a year. And UFCU remains strong. Our assets grew almost 9% in 2016, exceeding \$2.12 billion at year-end. We're looking forward to continuing these efforts and others in the year to come. Thank you for your membership and business. We're grateful!

Warm regards,

Ellen E Wood
Chairman

Tony C Budet
President/CEO

“We aim to position Members to invest in themselves, to thoroughly enjoy the benefits of financial health.”

—Tony C Budet



From the Treasurer



D Michael Harris

Last year, Texas' vibrant business environment, stable housing market, and robust job growth combined to generate high Member demand for credit and other financial services. At UFCU, we were able to meet that demand thanks to continued Member support, prudent lending practices, and our unwavering commitment to high-quality products and services.

In 2016, loan disbursements totaled \$1.6 billion, boosting total loans outstanding to \$1.75 billion, an increase of \$200 million, or 13%, from year-end 2015. Member deposits recorded growth of \$145 million, or 8%, bringing the year-end total to \$1.88 billion. Total assets ended the year at \$2.12 billion, representing an annual growth of 9%. On total revenue of \$143 million, UFCU generated a net income of \$15 million, representing a return on average assets of .75%, boosting Member equity by 10% to \$176 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 five other volunteers, three of whom also serve as 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 and is fully committed to further expanding and enhancing its products and services to meet the evolving financial needs of our 217,000 Members.

Warm regards,

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

D Michael Harris, PhD, CPA, CITP
Treasurer



Consolidated Statement of Financial Condition (Unaudited)

	As of December 31	
	2016	2015
Assets		
Cash and Cash Equivalents	\$ 169,309,357	\$ 203,037,139
Investments	57,372,529	76,460,940
Loans to Members (Net of Allowance for Loss)	1,739,183,509	1,539,790,512
Property and Equipment	80,471,659	79,737,535
NCUA Insurance Fund Deposit	17,433,822	16,130,012
Other Assets	51,901,584	32,341,613
Total Assets	\$ 2,115,672,460	\$ 1,947,497,751
Liabilities and Members' Equity		
Members' Share and Savings Accounts	\$ 1,882,019,646	\$ 1,737,197,576
Borrowed Funds	-	-
Accrued Expenses and Other Liabilities	57,408,732	49,523,428
Total Liabilities	1,939,428,378	1,786,721,004
Members' Equity	176,244,082	160,776,747
Total Liabilities and Members' Equity	\$ 2,115,672,460	\$ 1,947,497,751

Consolidated Statement of Income (Unaudited)

	As of December 31	
	2016	2015
Interest Income from Loans to Members and Investments	\$ 74,896,523	\$ 68,779,896
Dividend Expense Paid to Members' Deposits and Interest on Borrowed Funds	2,373,785	2,910,250
Net Interest Income	72,522,738	65,869,646
Provision for Loan Losses	9,992,193	8,539,089
Net Income after Provision for Loan Losses	62,530,545	57,330,557
Noninterest Income	67,803,498	56,950,805
Operating Expenses	115,085,244	97,660,026
Net Income	\$ 15,248,799	\$ 16,621,336

From the Supervisory Committee



C Brian Cassidy

The Supervisory Committee's purpose is to ensure management's financial reporting is timely and accurate, and that management practices adequately safeguard our Members' assets.

Among other responsibilities, the Supervisory committee works to ensure that the management team has accomplished the following tasks to safeguard UFCU assets:

- Established and maintained effective internal controls
- Promptly and accurately prepared accounting records and financial reports
- Properly administered relevant plans, policies, and control procedures

The Supervisory Committee makes these determinations by conducting audits and verifications. The committee engaged the CPA firm of Doeren Mayhew to audit UFCU's 2016 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 of Member accounts. Supervisory Committee members attend board meetings to stay apprised of 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 also receives, promptly investigates, and responds to Member letters of complaint sent to UFCU's federal regulator, the National Credit Union Administration (NCUA). Working with the Assurance Services group, the Supervisory Committee endeavors to ensure that issues and complaints are addressed fairly. Committee members also attend educational conferences and stay abreast of industry news and developments through professional publications.

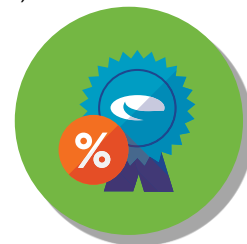
We appreciate the collaborative working relationship we have with the UFCU Board of Directors, and commend the UFCU management team for their responsiveness and commitment to addressing all audit and NCUA examination issues.

For their time and efforts, I personally thank fellow committee members Chris Plonsky, Faraz Khan, Calixto Balderas, and Brady Cole, RADM USN SC (Ret).

Sincerely,

A handwritten signature in black ink that reads "C. Brian Cassidy".

C Brian Cassidy, Esq
Supervisory Committee Chairman



“UFCU takes good care of me. And that’s a good feeling.”

“UFCU is more like a family than a banking institution. Everyone is friendly. Everyone greets you. If there’s anything anyone can do for you, they do it.”

Member
Norman S

Member Since
2012

Services
**Savings,
Auto Loan**



“UFCU wants to see me succeed.”

“I’m not just a number at UFCU. When times are tough, they’ve helped me get back on track.”

Member **Ariana F**

Member Since **2005**

Services **Checking, Auto Loan, Kidz Savings**



Leadership

Board of Directors

Ellen E Wood, Chairman
John A Martin, Vice Chairman
Neal E Armstrong, PhD, Secretary
D Michael Harris, PhD, CPA, CITP, Treasurer
Thomas J Ardis, MBA
Leslie L Blanke, PhD
Adriana R Cruz
Carl E Hansen, PhD, Director Emeritus
George K Herbert, PhD, JD, Director Emeritus
Maninder (Mini) Kahlon, PhD
Laura J Kilcrease
Cynthia A Leach, Director Emeritus
C Cale McDowell, JD
David W Niesel, PhD
Frank J Peters, Director Emeritus
Mary A Seng, Director Emeritus

Supervisory Committee

C Brian Cassidy, JD, Chairman
Christine A Plonsky, Secretary
Calixto Balderas
Brady M Cole, RADM USN (Ret)
Faraz Khan

Committee Volunteer

Steven K Darnell, CPA, MBA

Principal Officers

Tony C Budet, President/CEO
Yung V Tran, CPA, Executive Vice President
Laurie A Roberts, SVP, Lending/CLO
Michael E Crowl, CPA, VP, Finance/CFO
Heather M McKissick, VP, Community Impact/Business Development
Aaron M Persons, VP, Retail Operations/CRO
John C Petrey, VP, Information Technology/CIO
Ellen S Simpson, VP, Enterprise Risk Management

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