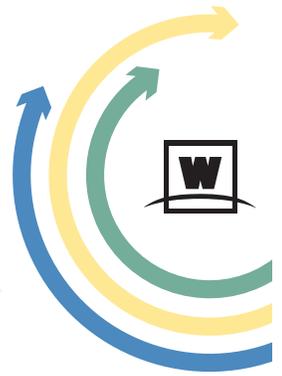


EXPANDING...
PRODUCTS,
TECHNOLOGY,
FOOTPRINT.

2014
ANNUAL REPORT



SUPERVISORY COMMITTEE REPORT FOR THE 2014 ANNUAL REPORT

The Supervisory Committee of Western Federal Credit Union (Western) works in conjunction with the Board of Directors to monitor and review the Credit Union's accounting procedures and practices. Our goal is to ensure all fiscal operations are performed accurately and in compliance with the Credit Union's Charter and federal regulations. The Supervisory Committee is also present at the monthly Board of Directors' meetings and any special meetings called by the Chairman.

To assist the Supervisory Committee in monitoring Western's fiscal activities, we retained the services of Crowe Horwath, Certified Public Accounts, to perform an audit of the financial statements and records. This audit is performed in addition to the National Credit Union Administration's regulatory examination. A copy of the audited financial statements can be obtained by calling 310-381-2300 or 877-254-9328.

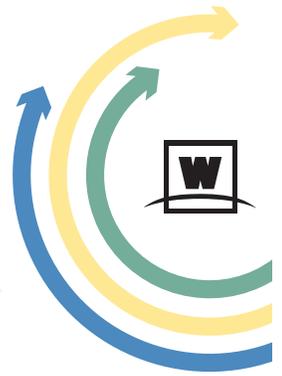
The Supervisory Committee is pleased to report your Credit Union is financially strong and its fiscal operations for 2014 are performed accurately and in compliance with the Credit Union's Charter, federal regulations, and sound business practices.

On behalf of the Supervisory Committee, it has been our pleasure to serve the membership this past year.

Respectfully submitted,

Sharon Gibson
Chairperson

EXPANSION



CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S JOINT MESSAGE

During 2014, Western set the course to move steadily forward with our continuous commitment to deliver superior products and services to existing and new members, as well as to ensure the Credit Union is set to attract future members. We ended the year proudly increasing membership by nearly 8% to over 173,000 members nationwide.

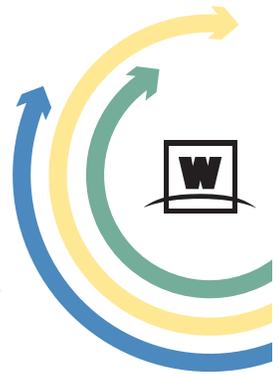
An improved economy was beneficial to members and the overall health of Western. We are proud to report that we remain financially sound and our commitment to providing superior service to members resulted in member satisfaction survey results of 96.9%. We achieved strong financial results including passing the significant milestone of \$2 billion in Total Assets and Net Income at just over \$13 million.

Member participation greatly contributed to a successful year. Many of our new members, as well as existing members, took advantage of Western's highly competitive and diverse products, including many of the new products and features introduced in 2014:

- Expansion of our home equity products to provide more options and financial flexibility for members to consider and complete home improvement efforts.
- Introduction of four new short-term loans to help members with unplanned or unexpected needs.
- Our first rewards credit card, Engage Rewards, was introduced to give members another reason, beyond a great rate, to choose their Western Credit Card first.
- New balance transfer and introductory features were added to the existing fixed-rate credit card to allow members to get special rates for transferring higher balances from other cards and choosing a Western Credit Card.
- Expansion of our consumer loan product line to include personal watercraft and snowmobile loans for members who like outdoor activities.

Using the needs of our members to guide us, Western continued navigating through an environment where technology has become intertwined with financial management. From satisfying the growing need for digital access and convenience, to providing secure access on the go, Western expanded the digital landscape for our members in a number of ways:

- Introduction of text messaging to allow members to request balance information and establish text alerts.
- Created the ability for members to open Share Certificate and Money Market accounts online.
- Delivered a new mobile-friendly version of western.org for members using web-enabled mobile devices.



Our focus on constructing solid and secure building blocks in our infrastructure and growing our presence nationwide will, first and foremost, continue to execute our mission of providing superior quality products and services, as well as expand the benefit of being a Western member to more communities, as we did in 2014:

- Relocated our McLean, Virginia branch to Reston, Virginia.
- Strengthened our commitment to serving our members acquired through the successful merger of McKee Credit Union at the end of 2013 with the addition of an on-site branch at the McKee Foods facility in Stuarts Draft, Virginia.
- Increased our branch network within Toyota Motor Manufacturing facilities by adding an on-site branch in Blue Springs, Mississippi.
- When Toyota announced their relocation to Plano, Texas, Western announced we will be opening a retail branch near their new facility in the Plano, Texas area. Our retail branch will open in 2015, well before many of the Toyota employees are expected to relocate.

Of special note, each year the Credit Union strives to do as much as we can to give back to members by expanding our range of products, adding new branches, new delivery channels, and offering highly competitive rates with little to no fees. We did all of this in 2014, while additionally, based on exceptional membership activity, the Board of Directors decided to return \$3 million to the membership through the "\$Three Million Thanks" distribution effort. Members who chose Western for their Savings, Loans, and/or eServices received an automatic deposit into their accounts at the end of January 2015 as recognition for their significant role in Western's successful 2014.

As the landscape of financial management continues to change, Western remains anchored to providing superior products and services to create stronger financial futures for our members.

On behalf of our team, management, and Board of Directors, we thank you for your participation, loyalty, and commitment to Western.

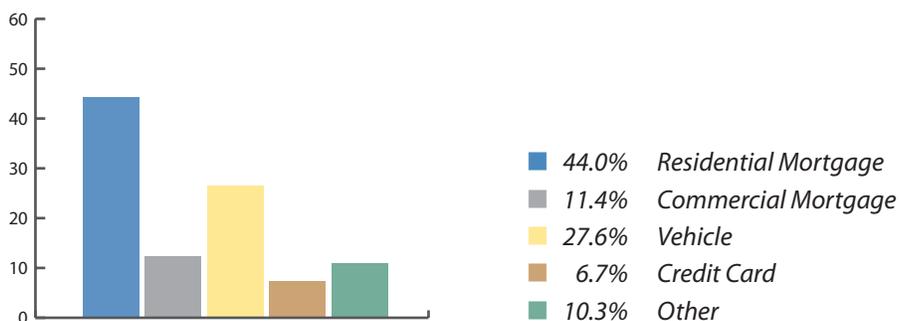
Sincerely,

Robert B. Scott
Chairman of the Board

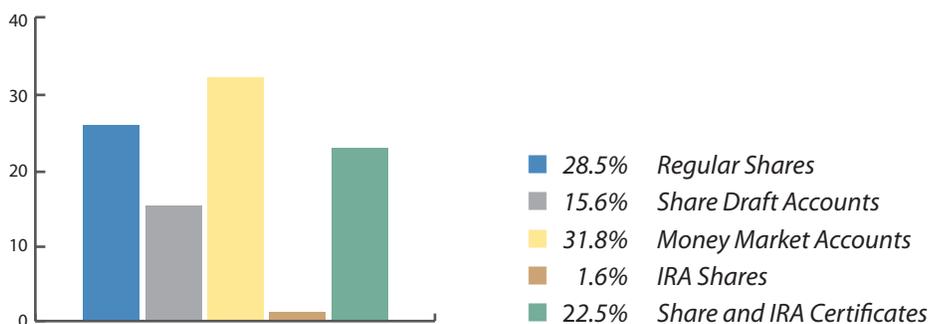
John Bommarito
CEO



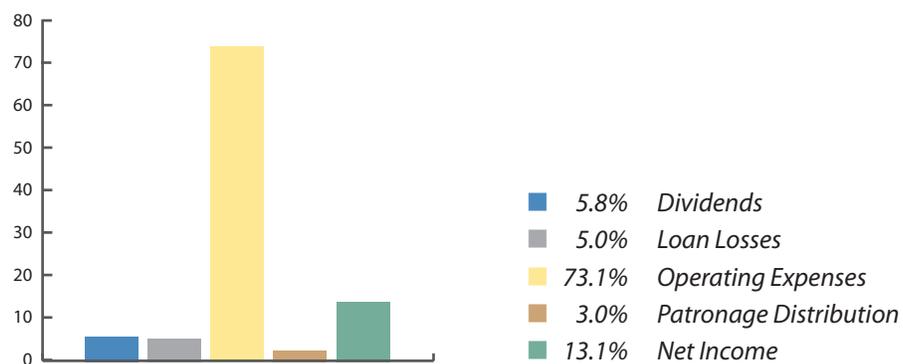
DISTRIBUTION OF **LOANS**



DISTRIBUTION OF **MEMBERS' SHARES**



DISTRIBUTION OF **OPERATING INCOME**



WESTERN FEDERAL CREDIT UNION AND SUBSIDIARY
Consolidated Statements of Financial Condition—December 31, 2014 and 2013

		<u>2014</u>	<u>2013</u>	
Assets	Cash and cash equivalents	\$ 161,775,126	\$ 100,633,138	
	Investments			
	Available-for-sale	460,934,644	475,444,621	
	Held-to-maturity	30,282	32,219	
	Other	74,931,431	105,820,104	
	Loans, net	1,254,293,325	1,128,922,711	
	Accrued interest receivable	4,530,274	4,748,190	
	Property and equipment, net	34,597,985	36,337,504	
	Share insurance deposits	16,540,079	16,446,723	
	Other assets	20,579,952	20,435,650	
	Total Assets	\$ 2,028,213,098	\$ 1,888,820,860	
Liabilities and Members' Equity	Liabilities			
	Members' shares	\$ 1,736,837,126	\$ 1,673,600,726	
	Borrowed Funds	77,355,156	20,412,500	
	Accrued expenses and other liabilities	37,468,738	29,647,176	
		Total Liabilities	1,851,661,020	1,723,660,402
	Commitments and contingent liabilities			
	Members' equity			
	Retained earnings	187,423,162	174,379,285	
	Accumulated other comprehensive (loss) income	(10,871,084)	(9,218,827)	
		Total Members' Equity	176,552,078	165,160,458
	Total Liabilities and Members' Equity	\$ 2,028,213,098	\$ 1,888,820,860	

WESTERN FEDERAL CREDIT UNION AND SUBSIDIARY
Consolidated Statements of Income—for the Years Ended December 31, 2014 and 2013

		<u>2014</u>	<u>2013</u>
Interest Income	Interest on loans	\$ 66,792,093	\$ 58,081,219
	Interest on investments and cash equivalents	8,900,995	7,276,592
		75,693,088	65,357,811
Interest Expense	Dividends on Members' shares	5,776,099	6,380,602
Net Interest Income		69,916,989	58,977,209
Provision for Loan Losses		4,942,527	5,371,824
Net Interest Income After Provision for Loan Losses		64,974,462	53,605,385
Non-Interest Income	Fees and other non-interest income	23,280,544	23,672,483
Non-Interest Expense	Salaries and benefits	38,945,218	36,442,295
	Operations	27,705,860	25,162,461
	Occupancy	5,574,623	5,199,466
	Member patronage distribution	2,985,428	--
	NCUSIF premium assessment	--	1,306,931
Total Non-Interest Expense		75,211,129	68,111,153
Net Income (Loss)		\$ 13,043,877	\$ 9,166,715