

ANNUAL REPORT

2016

BRINGING LOCAL
CREDIT UNION BANKING TO
MEMBERS ANYTIME, ANYWHERE.



UNIFY
FINANCIAL CREDIT UNION



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Connect Your Way®

SUPERVISORY COMMITTEE REPORT FOR THE 2016 ANNUAL REPORT

The Supervisory Committee of UNIFY Financial Credit Union 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 the Credit Union'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 was 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 2016 were 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,

Ross Mainwaring
Chairman



MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The year of 2016 was one of historic change for your Credit Union. Our more than 50-year heritage of serving members as Western Federal Credit Union, provided the strong foundation for your Credit Union's transition to a new brand and name as UNIFY Financial Credit Union. Our new name supports a new vision as a nationwide financial institution with a mission to bring local credit union banking to our members, anytime, anywhere.

As we have undergone significant transformation, growth, and expansion, we have remained committed to our Western legacy and founding values of providing high-quality personal service and products. We are honored to provide you with the same member focus, as we begin this new chapter for your Credit Union.

Brand Transformation: Transition to UNIFY Financial Credit Union

After introducing our UNIFY name in March, 2016, we began the process of transitioning to our new brand across all service channels throughout the year and plan for completion in the second quarter of 2017. The decision to rebrand your Credit Union follows our expansion of now serving more than 200,000 members at 54 branch locations in 15 states across the country. And, what differentiates us in the financial services market—our ability to connect the convenience of nationwide banking with local financial services, state-of-the-art technology, and superior personal service.

2016 Performance: Continued Growth & Expansion

Throughout our brand transformation in 2016, we continued to realize significant growth, with solid financial performance, increased membership, and an expanded national branch network.

- Thanks to the loyalty and engagement of members, 2016 financial performance resulted in total assets of \$2.5 billion, net income of \$13 million, loan volume growth of 18%, and a share volume increase of 16%. Net worth remained strong at 9.06%, enabling us to offer highly competitive product rates.
- We realized another milestone during the year with our 200,000th member joining the Credit Union, marking a membership increase of 8% in 2016.
- Along with organic growth, strategic partnerships are a cost-effective way to broaden our geographic footprint. We welcomed three new merger partners during 2016, which added five new branches, over 50 new team members, and approximately 18,000 new members. We will continue to explore mutually beneficial partnerships to expand our national reach, bringing local credit union banking to members across the country.
- We expanded our regional operational center offices in Las Vegas, NV, and Mesa, AZ, to support more efficient operations; we also finalized plans for a new regional service center office in Allen, TX, scheduled to open in the summer of 2017.



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Member Service: Enhancements across Delivery Channels

During the year, we enhanced access for members to quickly and easily connect to their finances, however they prefer, anytime, anywhere.

- **Phone Banking:** We extended our phone banking hours so members can speak with a UNIFY representative 24 hours a day, 7 days a week, through our full-service telephone Contact Center.
- **Digital Banking:** We launched an enhanced eBanking system to significantly improve your digital experience with at-a-glance information access, customized alerts, and new card management features. We also leveraged advanced smartphone technologies to expand our eMobile capabilities to offer more banking services directly from your mobile device.
- **In-Person Banking:** We continued to expand our retail locations, opening full-service branches in Las Vegas, NV, and Mesa, AZ. These new locations also provided an opportunity to extend our UNIFY brand introduction into a retail branch environment. This concept highlights technology and service innovations in a dynamic open space environment to deliver a customized, interactive experience for each member.

As we look to the future under our UNIFY brand, we are well positioned for new growth, geographic expansion, and added service initiatives. We will continue this strong forward momentum in the months ahead, exploring strategic expansion into new markets across the country, enhancing account access for our members, and strengthening our commitment to our local communities.

Most importantly, we want to thank you for your continued loyalty. The accomplishments of the past year, particularly our transition to the UNIFY name, could not have been achieved without the loyal support and engagement of our members. We are excited about what lies ahead in 2017 and beyond, as we continue to thrive and work to exceed our members' expectations in every way.

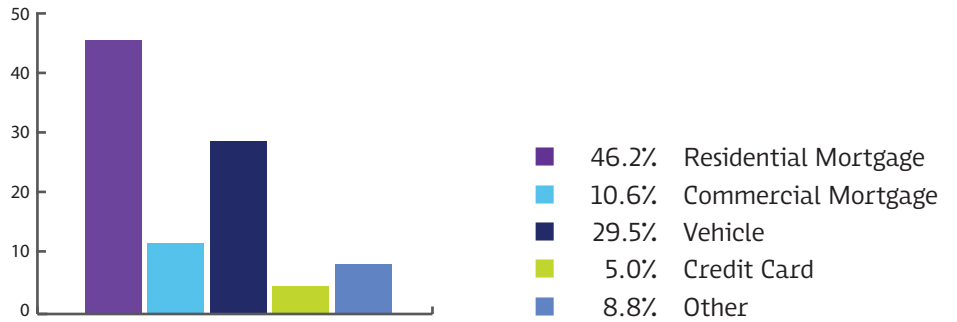
Sincerely,

Lloyd Mistele
Chairman of the Board

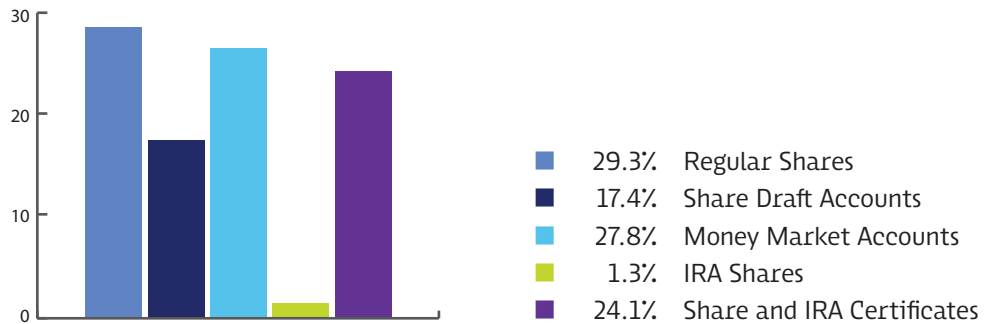
Gordon Howe
CEO



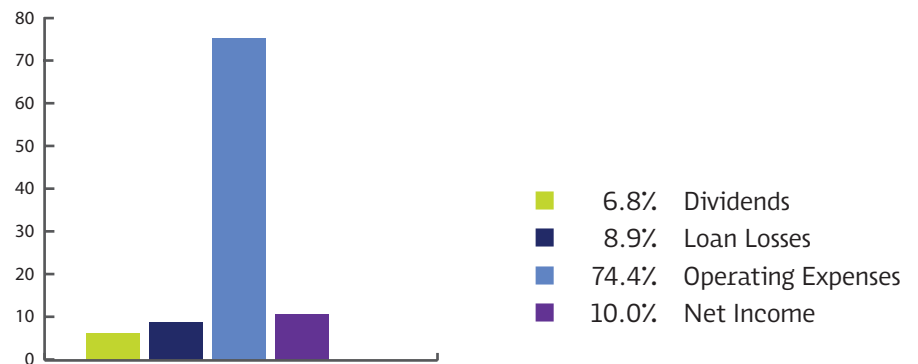
DISTRIBUTION OF LOANS



DISTRIBUTION OF MEMBERS' SHARES



DISTRIBUTION OF OPERATING INCOME



		<u>2016</u>	<u>2015</u>
Assets	Cash and Cash Equivalents	\$ 180,458,835	\$ 149,297,876
	Investments:		
	Available-for-sale	474,518,474	475,050,058
	Held-to-maturity	15,214	25,505
	Other	58,848,350	38,620,575
	Loans, net	1,689,624,245	1,429,781,919
	Accrued Interest Receivable	5,380,670	5,071,180
	Property and Equipment, net	23,557,140	35,877,896
	Share Insurance Deposits	20,481,910	17,730,903
	Other Assets	57,731,624	22,533,970
		Total Assets	\$ 2,510,616,372
Liabilities and Members' Equity	Liabilities		
	Members' Shares	\$ 2,219,664,742	\$ 1,917,337,787
	Borrowed Funds	41,592,297	42,410,597
	Accrued Expenses and other Liabilities	41,531,055	27,821,082
		Total Liabilities	\$ 2,302,788,094
	Commitments and Contingent Liabilities		
	Members' Equity		
	Retained Earnings	\$ 221,238,731	\$ 196,972,337
	Accumulated other Comprehensive (loss) Income	(13,410,453)	(10,551,921)
		Total Members' Equity	207,828,278
		Total Liabilities and Members' Equity	\$ 2,510,616,372

		<u>2016</u>	<u>2015</u>	
Interest Income	Interest on Loans	\$ 83,000,167	\$ 72,035,511	
	Interest on Investments and Cash Equivalents	13,064,290	11,169,163	
		Total Interest Income	\$ 96,064,457	\$ 83,204,674
Interest Expense	Interest on Borrowed Funds	2,128,924	712,037	
	Members' Shares	8,814,857	7,641,984	
		Total Interest Expense	\$ 10,943,781	\$ 8,354,021
	Net Interest Income	\$ 85,120,676	\$ 74,850,653	
Provision for Loan Losses	Net Interest Income After Provision for Loan Losses	11,599,053	8,730,325	
		\$ 73,521,623	\$ 66,120,328	
Non-Interest Income	Service Charges and other Fees	11,891,171	11,178,405	
	Interchange Income	7,767,879	7,121,801	
	Gains on Sale of Loans, net	1,362,473	770,990	
	Other Non-Interest Income	5,344,500	4,799,197	
		Total Non-Interest Income	\$ 26,366,023	\$ 23,870,393
Non-Interest Expense	Salaries and Benefits	49,810,582	39,102,639	
	Operations	40,234,051	35,447,532	
	Occupancy	7,019,990	5,891,373	
	Member Patronage Distribution	-	-	
		Total Non-Interest Expense	\$ 97,064,623	\$ 80,441,544
	Gain on Sale of Buildings	3,315,064	-	
	Net Gain from Bargain Purchase	7,044,859	-	
	Net Income (loss)	\$ 13,002,946	\$ 9,549,177	