

UNIFY

FINANCIAL CREDIT UNION

Connect Your Way®

2018

ANNUAL REPORT

Federally Insured by NCUA.



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SUPERVISORY COMMITTEE REPORT FOR THE 2018 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 Clifton, Larson, and Allen, Certified Public Accountants, to perform an audit of the financial statements and records. They have issued an unqualified report. This audit was performed in addition to the National Credit Union Administration's regulatory examination. A copy of the audited financial statements, scheduled to be available after March 31, 2019, 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 in compliance with the Credit Union's Charter and federal regulations.

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

Respectfully submitted,

David Clement
Chairman



MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

UNIFY exists because of you, our members. Our continued growth this past year is a direct result of your participation and trust you put in us—thank you. What pleases us, is through such strong engagement we can give right back by offering more value-added products and services to help provide greater opportunity in making the financial lives of our members better.

During 2018, advancements took place across your Credit Union including increasing the number of members we serve, enhancing our financial position, further developing our eBanking services for a more convenient digital experience, expanding our markets and related employer partnerships, and giving back—through charity, community support, and to members in need. All done, to hopefully make a difference for each member.

Solid Financial Performance: Strength in the Numbers

- Thanks to our members' consistent and growing participation, your Credit Union reached a milestone of surpassing \$3 billion in total assets. Significantly, the gain from \$2 billion (in total assets) to \$3 billion was done in just four years (2014 – 2018)—further solidifying a healthy financial position.
- More members took advantage of our competitive and wide-range of loan products than ever before; we helped members with their lending needs by funding more than 45,000 loans for over \$1 billion—our largest single-year total.
- Our Net Equity was up nearly 5%, and Net Income rose appreciably to \$17.8 million—up more than \$12 million from 2017. This growth resulted in part from the strong loan participation by members noted above.
- We welcomed more members to our UNIFY family across the country, ending the year at over 250,000. More importantly, even as we are adding new members, our service levels remain a top priority. In 2018, our members rated their overall satisfaction at 96.8%—a strong indicator that service delivered by the UNIFY team regularly exceeded expectations.

Making Access Easier and More Convenient

- Now serving more than a quarter of a million members, we focused on continuously enhancing ways for members to reach us anytime, anywhere.
- One of the most popular ways members manage their money is through eBanking. In 2018, members logged in to eBanking over five million more times than in 2017—a 37% increase. And, access through eMobile grew as 64% of all logins were made through a mobile device. Using eDeposits was also popular, with \$20 million more deposited by members in 2018 through this convenient service.
- Many members preferred taking advantage of the 24/7 access our Contact Center offers. Nearly 800,000 member contact requests were handled by our Contact Center team, which included over 39,000 Live Chat and 25,000 Secure Message interactions.



Growing our Markets and Partnerships

- We widened our national footprint and strengthened the relationship for further membership growth with one of our primary employer partners, ADP—three new branches were opened on ADP sites including: Maitland, Florida; Norfolk, Virginia; and Tempe Arizona.
- More branch access was added for our members in 2018. At year end, there were 60 UNIFY branch locations in 18 states. A retail branch was added in Lowell, Arkansas, bringing our total to six locations in this growing region.
- We also welcomed two new employer partners that are long-standing NFL franchises—the Los Angeles Rams and Oakland Raiders (who plan to move to Las Vegas). And, in just over half of last year, we benefited greatly from these new partnerships adding over 1,200 members and \$2 million in funded loans. Long term, both partnerships provide good opportunity for significant community involvement and membership development in two of our principal markets.

Giving Back: True Credit Union Benefit

- Looking for ways to give back to others is a cornerstone of the credit union community. Throughout the year, the UNIFY team and members gave their time and personal donations to help better the lives of many. One of the most notable charitable activities we supported was *Credit Union For Kids (CU4Kids)*, the brand which the credit union movement raises funds for the industry's "charity of choice"—*Children's Miracle Network Hospitals*. As an organization, we raised close to \$15,000 in support of this foundation.
- Offering financial education to our members, in a variety of forums, is part of the credit union difference that we value. Some of the education activities offered and member participation included:
 - 24 Webinars/800 members
 - 13 Financial Planning Seminars/400 members
 - 13 Podcasts/1,000 members
 - 73 "Lunch and Learns"/1,500 prospective members (at employer partners)
- For the second consecutive year, we were thankful to offer outreach and loan assistance to members impacted by major natural disasters; this included hurricane activity in the Carolinas and Florida, as well as wildfires in California. We provided close to \$50,000 in Emergency Assistance Loans, and and gave \$5,000 in gift cards to help members and their families with immediate needs after being displaced from their homes.

During these challenging events, our team made over 1,500 calls to potentially impacted members. We offered assistance but, more importantly, wanted to make sure these members were out of harm's way. Sometimes, it's just nice to hear a friendly voice in challenging moments.

Your participation and loyalty inspire us to do more, and we are very thankful for your membership.

Lloyd Mistele
Chairman of the Board

Gordon Howe
President & CEO



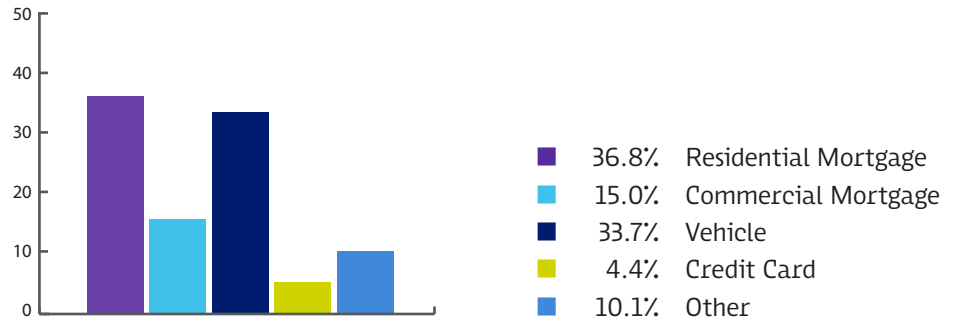
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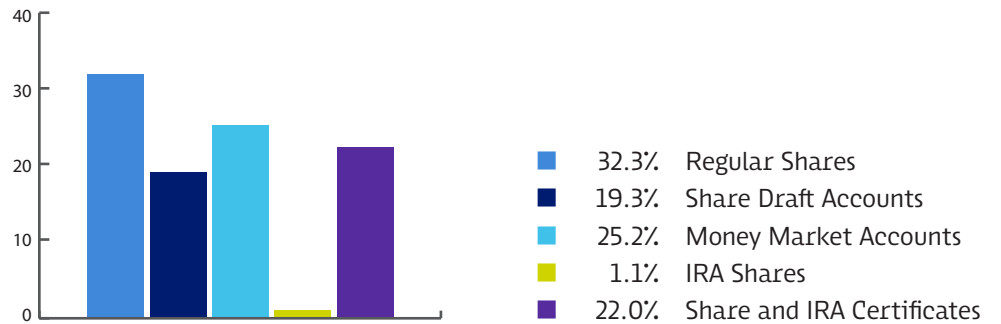
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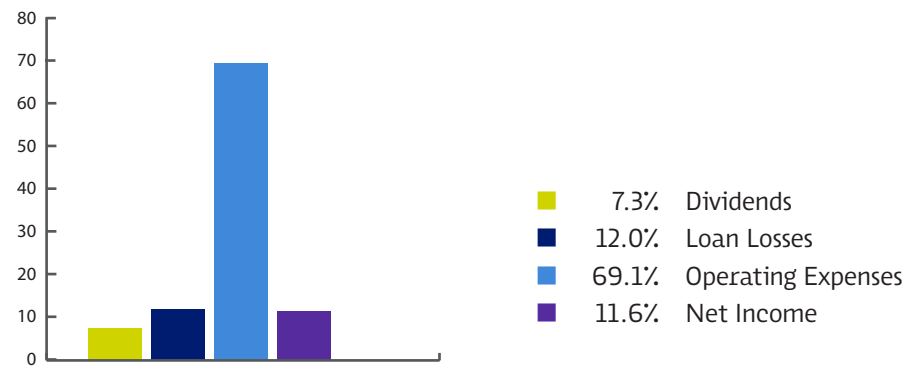
DISTRIBUTION OF LOANS



DISTRIBUTION OF MEMBERS' SHARES



DISTRIBUTION OF OPERATING INCOME



		<u>2018</u>	<u>2017</u>
Assets	Cash and Cash Equivalents	\$ 108,662,341	\$ 93,805,548
	Investments:		
	Available-for-sale	250,287,955	304,217,357
	Held-to-maturity	13,518	14,317
	Other	27,896,555	51,763,039
	Loans, net	2,486,826,967	2,220,560,839
	Accrued Interest Receivable	8,153,004	7,057,299
	Property and Equipment, net	22,500,974	26,339,925
	Share Insurance Deposits	22,909,444	22,628,999
	Other Assets	96,631,180	109,362,115
		Total Assets	\$ 3,023,881,938
Liabilities and Members' Equity	Liabilities		
	Members' Shares	\$ 2,354,838,854	\$ 2,385,803,079
	Borrowed Funds	390,000,000	180,000,000
	Accrued Expenses and other Liabilities	45,539,180	46,256,751
		Total Liabilities	\$ 2,790,378,034
	Commitments and Contingent Liabilities		
	Members' Equity		
	Retained Earnings	\$ 240,985,388	\$ 232,708,267
	Accumulated other Comprehensive (loss) Income	(7,481,485)	(9,018,660)
		Total Members' Equity	233,503,904
		Total Liabilities and Members' Equity	\$ 2,835,749,437

		<u>2018</u>	<u>2017</u>	
Interest Income	Interest on Loans	\$ 116,209,358	\$ 94,537,170	
	Interest on Investments and Cash Equivalents	9,305,896	16,661,994	
		Total Interest Income	\$ 125,515,255	\$ 111,199,164
Interest Expense	Interest on Borrowed Funds	6,746,214	5,436,878	
	Members' Shares	11,222,242	9,545,641	
		Total Interest Expense	\$ 17,968,456	\$ 14,982,519
		Net Interest Income	\$ 107,546,798	
Provision for Loan Losses		18,470,274	16,161,621	
		Net Interest Income After Provision for Loan Losses	\$ 89,076,524	\$ 80,055,024
Non-Interest Income	Service Charges and other Fees	15,016,609	12,326,591	
	Interchange Income	10,970,326	9,478,760	
	Gains on Sale of Loans, net	2,195,637	953,675	
	Other Non-Interest Income	4,857,361	6,998,718	
		Total Non-Interest Income	\$ 33,039,932	\$ 29,757,743
Non-Interest Expense	Salaries and Benefits	60,202,337	59,905,799	
	Operations	36,398,467	36,269,052	
	Occupancy	9,764,094	8,476,997	
		Total Non-Interest Expense	\$ 106,364,898	\$ 104,651,848
	Gain on Sale of Buildings	2,088,605	-	
	Net Gain from Bargain Purchase	-	239,165	
	Net Income (loss)	\$ 17,840,163	\$ 5,400,085	