

2016 Annual Report



Utilities Employees Credit Union

Exclusive. Exceptional. Empowering.
Reflecting the People We Serve.

ANYTIME BANKING | LOANS | INVESTMENTS & INSURANCE | REWARDS

Exclusive to employees of utility companies who partner with UECU, **Exceptional** service and rates, **Empowering** our partners by providing unlimited access to trusted financial resources.



Dear Member-owner,

This past year has been one of continued progress and growth for UECU. We welcomed more than 2,700 new members, granted over \$73 million in new loans, simplified and enhanced our checking options, launched a new financial program for students and young adults, and expanded our mobile banking services while staying focused on providing superior member service. We also embarked on an initiative to enhance our branding and introduced a refreshed company logo and new tagline: *Exclusive. Exceptional. Empowering. Reflecting the People We Serve.* But it's not just a tagline; it's a testament to our ongoing commitment to provide exclusive financial benefits and exceptional products and services that empower our members to reach their goals. As your trusted financial partner, we have continued to keep fees low, provide affordable borrowing options, unique savings and investment opportunities, and an outstanding giveback program.



MEMBER SAVINGS AND GIVEBACK

As a financial co-operative, we live the credit union philosophy of "People Helping People." In 2016, we gave back almost \$600,000 through the *Member Loyalty Bonus™* Program, in addition to the \$4.7 million that we awarded since the program began in 2011. Members receive the year-end bonus for simply using the Credit Union's loan and savings products. Members were also rewarded for using their UECU credit and debit cards and for other activities through the *VantagePoints™* Program, with a total of 114 million points awarded in 2016. Points were redeemed for cash back, loan rate discounts on eligible loans, and gift cards. We also helped members save money with low fees. According to Raddon, a leading provider of financial institution research data, UECU members paid \$66 less in fees than the national average per household. Fee savings coupled with exceptional giveback opportunities sets UECU apart from many other financial institutions.

NEW CHECKING OPTIONS

Last year, more members turned to UECU for their checking needs; over 1,400 new checking accounts were opened and total checking balances increased 16%. During 2016 one of our key initiatives was to simplify our checking product lineup to make it easier to understand, while adding new features and mobile capabilities. In February 2017, we introduced two new checking accounts, the Rewards Checking and Rewards Checking PLUS. Our low fee structure, competitive interest rates, debit card rewards, and mobile checking services make UECU's checking accounts among the best in the nation. And, because we hold security at the highest standard, we also issued EMV chip-enabled debit cards in 2016; they provide an additional layer of security when used at chip-enabled terminals. To help reduce fraud and monitor spending, UECU Visa® cardholders also now have the capability to set up custom, near real-time alerts with Visa Purchase Alerts.

MOBILE INNOVATION

As a pioneer in offering virtual banking services, we continued to focus on mobile convenience in 2016 and expanded our mobile banking options. Members can now add their UECU Visa® debit and credit cards to their mobile wallets with Android Pay™ and Samsung Pay. We upgraded the UECU Mobile Banking App with a sleek new look and menu, quick balance feature, and Touch ID option for Apple® users. We also added new features to make it easier for mobile app users to sign-in and view check images. These changes will help our nationwide membership of utility and energy employees and their families manage their finances and conduct their banking transactions when and where it is most convenient.

PROMOTING FINANCIAL SUCCESS FOR YOUTH

In 2016, we established the My First UECU Program to provide educational resources and alternative borrowing options for those beginning their financial journey. Our new credit builder loans include no co-signer options for Visa® credit cards, personal loans, and auto loans. Students and families now have a low-cost private student loan option as well through the Student Choice Loan Program. We believe that every member should have access to financial resources and affordable loans to help put them on the road to financial success.

SAFETY AND SOUNDNESS

UECU finished 2016 with \$1.15 billion in assets. Our year-end capital level of over 14% remained above the 10.9% credit union industry average. For the 26th consecutive year, we were awarded the Best of Bauer Status for having earned Bauer Financial's 5-Star elite rating for financial strength. Fewer than 5% of the nation's credit unions have earned the Best of Bauer Status. UECU has also been ranked as one of the top credit unions in PA by AdvisoryHQ. The online news media company provides extensive research, reviews, and ranking of firms and products across the US, UK, and Canada. AdvisoryHQ ranked UECU in the top 15 best credit unions because of several key factors, including flexible checking account options, mortgages, and credit card options.

Another successful year could not have been possible without our loyal members, dedicated volunteer board of directors and audit committee, and exceptional team of employees. As we begin a new year, the UECU team remains committed to providing you with exclusive financial benefits and exceptional products and services, empowering you to reach your financial goals. Some of the new initiatives we are working on for 2017 include the introduction of a flexible home equity line of credit, new *VantagePoints™* redemption options, and mobile enhancements, including card controls.

On behalf of our team, I would like to extend thanks to you for choosing UECU as your trusted financial partner. We know you have options and genuinely appreciate your continued loyalty.

Sincerely,

Patricia Zyma
President/CEO and UECU Member

 **Utilities
Employees
Credit Union** Ranked in the top 5% for 25 years.

Comparative Balance Sheet (In Thousands)

December 31

	<u>2016</u>	<u>2015</u>
ASSETS		
Loans to Members:		
Secured Vehicle	\$ 44,605	\$ 41,434
Other Personal	19,986	18,524
Real Estate Secured	189,775	186,743
Credit Card	23,237	22,953
Total Loans	<u>277,603</u>	<u>269,654</u>
Allowance for Losses	(1,972)	(2,056)
Net Loans	<u>275,631</u>	<u>267,598</u>
Investments:		
Overnight Investments	18,980	29,717
Floating Rate Securities	347,748	333,253
Fixed Rate Securities	458,676	437,409
Mutual Funds	24,185	22,890
Other Investments	1,851	1,854
Total Investments	<u>851,440</u>	<u>825,123</u>
Deposit - NCUSIF	8,798	8,709
Other Assets	<u>17,302</u>	<u>17,289</u>
TOTAL ASSETS	<u>\$ 1,153,171</u>	<u>\$ 1,118,719</u>
LIABILITIES AND EQUITY		
Member Deposits:		
Checking	\$ 53,352	\$ 45,711
Money Market Savings	641,592	616,931
Share and Special Savings	171,799	170,684
Individual Retirement Accounts	81,256	81,152
Certificates of Deposit	45,790	47,626
Total Member Deposits	<u>993,789</u>	<u>962,104</u>
Other Liabilities	5,425	4,829
Total Liabilities	<u>999,214</u>	<u>966,933</u>
Members' Equity	164,331	157,833
Unrealized Loss on Available-for-Sale Securities, Net	(7,273)	(3,247)
Accumulated Other Comprehensive Loss	(3,101)	(2,800)
Total Members' Equity	<u>153,957</u>	<u>151,786</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 1,153,171</u>	<u>\$ 1,118,719</u>

Comparative Statement of Income (In Thousands)

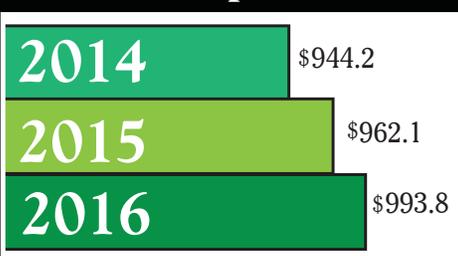
Year Ended December 31

	<u>2016</u>	<u>2015</u>
INTEREST INCOME		
Interest on Loans	\$ 12,442	\$ 12,229
Interest on Investments	14,098	13,990
Total Interest Income	26,540	26,219
INTEREST EXPENSE		
Dividends Paid	9,004	8,839
Member Loyalty Bonus	592	774
Borrowed Funds	1	1
Total Interest Expense	9,597	9,614
NET INTEREST INCOME	16,943	16,605
Provision for Loan Losses	440	600
Net Interest Income After Provision for Loan Losses	16,503	16,005
Non-Interest Income	3,198	2,858
Operating Expenses	13,658	12,866
Non-Operating Income, Net	455	514
NET INCOME	<u>\$ 6,498</u>	<u>\$ 6,511</u>

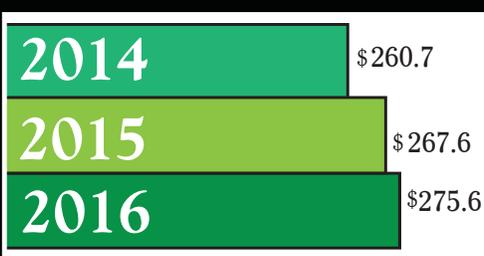
Supervisory Committee Report

The Supervisory Committee assists the Board of Directors through oversight of the internal and external audit functions, to assure that UECU's financial position is fairly represented and the organization is operating within the guidelines and policies set forth by governing bodies. The Committee conducts quarterly reviews, oversees the activities of UECU's Internal Audit Department and engages an independent CPA firm for the annual "opinion" audit. For 2016, the Committee contracted with Doeren Mayhew CPAs and Advisors, which expressed an unmodified opinion on UECU's financial statements and for 2015 the Committee contracted with Reinsel Kuntz Leshner LLP, which also expressed an unmodified opinion on the financial statements. The annual regulatory examination was completed by the Pennsylvania Department of Banking and Securities and the National Credit Union Administration, and the results reinforced that UECU is well positioned financially, and remains a safe and sound financial institution.

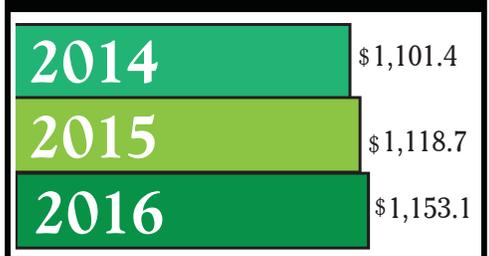
Member Deposits (in Millions)



Loans (in Millions)



Assets (in Millions)



Community Giving

In 2016, UECU developed an Employee Volunteer Program to strengthen the Credit Union's social responsibility and commitment to its employees and members.

Employees live the credit union philosophy of "People Helping People" every day by volunteering in their local communities and supporting causes that make a difference in the lives of others. In 2016, employees donated their time (over 400 volunteer hours), organized clothing, food, and blood drives, made in-kind donations to organizations in need, and gave back to those who have served our country. UECU and employees also donated over \$25,000 to the United Way, joining the non-profit in their mission to improve lives by mobilizing the caring power of communities around the world to advance the common good.

UECU employees supported many great causes and non-profit organizations in 2016, including:

- Animal Rescue League
- Charity: Water and Operation Aqua
- Children's Hospital of Philadelphia – Nicholas and Athena Karabots Pediatric Care Center & Wellness Garden
- CU4Kids Campaign and Children's Miracle Network
- Downtown Reading's Cups of Compassion Event
- Dream Big for Her Campaign for Girl Power 2 Cure
- Greater Berks Food Bank – Big Cheese Event
- Hanson Family Founders & Power the Way for Education
- Hurricane Matthew Utility Worker Care Packages
- KidsPeace® Financial Workshop
- Lion's Club of Bern Township Recycle for Sight
- Miller-Keystone Blood Center
- MSC Sisters 5k Nun Run
- Olivet's Club
- Salvation Army Angel Tree Program
- The Crayon Initiative
- Treats for Troops
- UECU Day of Giving Supported Berks Women in Crisis, Reading Bike Hub Project, Thun Trail, and Veterans
- Veterans Helping Veterans



Utilities Employees Credit Union

800-288-6423 | www.uecu.org

Board of Directors

- **Amy Fleischman**
Chairperson
- **Daniel Furlong**
Vice-Chairperson
- **Patricia Zyma**
Secretary/Treasurer
- **Harry Balian**
- **Richard Benson**
- **Joseph Deane**
- **Anmarie Higgins**
- **Alan Metzler**

Supervisory Committee

- **Natalie Brown**
Chairperson
- **Kimberlie Bortz**
- **Jamie Noon**



Helping Youth Succeed

In collaboration with the Pennsylvania Credit Union Association, and credit unions in our region, UECU employees participated in the inaugural Financial Reality Fair to help the students of a local high school learn about basic financial skills. The event created a unique opportunity for the students to learn about financial challenges that they will face after graduation. They participated in an interactive exercise where they could identify a career and starting salary, then complete a budget worksheet requiring them to live within their monthly salary, while paying for their necessary expenses. The Financial Reality Fair was well received by faculty and students, with a second annual fair held in January 2017.

Last year, UECU also established the My First UECU Program, began offering private student loans through the Student Choice Loan Program, and awarded a \$2,000 Glen A. Yeager Student Scholarship. UECU is committed to equipping young adults with the financial resources and affordable borrowing options they need to succeed.

