

# 2012 Annual Report

**First**  **Tech**  
federal credit union



# Partners. For Life.

We were founded by companies that mastered the art of bringing people and technology together to engineer a better future for us all. Those same companies are among the most admired companies in the world today. From that same DNA, First Tech Federal Credit Union emerged. And that same DNA drives our vision today.

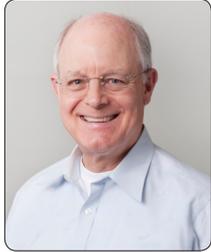
We strive to be your partner in building a better future for you and your family. Your trusted partner; one that arms you with the products, services, advice and knowledge you need to build a strong financial life.

Just like our founders, we've never forgotten that behind every piece of technology, username or account number, there's a person; someone who wants to ensure their family's stability, strength and quality of life. That's where our heart comes in.

By uniting the passion and commitment of our people with innovative, relevant technology, we'll help you enrich your financial life and empower you to manage your finances, effortlessly. When we do that, we believe we'll become the most admired credit union in the country, one that has earned your admiration, your trust, your loyalty and most importantly, your partnership . . . for life.



# New Beginnings



Dear Fellow Members,

In the year marking the credit union's 60th anniversary, I'm delighted to tell you that 2012 marked a year of stellar performance for your credit union.

Continuing economic recovery, strong growth within the U.S. technology sector and an improving housing

market, helped us achieve record membership, mortgage loan origination and earnings growth. We also achieved a significant rise in our membership loyalty score.

What makes these results particularly significant, is that our institution operated under interim leadership for approximately eight months while the board sought a new President and CEO. That speaks to the strength and quality of our entire team.

On behalf of the Board, I want to thank our interim President and CEO, Hank Sigmon, for his leadership, and I want to thank our dedicated team of employees who pulled together and got the job done amidst continuing change.

In late October, we welcomed Greg Mitchell as our new President and CEO. We're incredibly excited to have someone with Greg's experience leading our institution. We support his vision and know that we've found a passionate, visionary leader to drive our credit union forward.

As always, we simply wouldn't exist without you, our fellow members. I thank you for another great year of membership and for another year of trusting us to be your financial partner.

  
John Weidert  
Chair  
Board of Directors

# A Bright Future Together



Thank you, fellow members!

2012 was a year of great change and reward for First Tech as we completed our second full year of operations as a unified credit union. We made solid progress in improving our online and ATM experiences, meeting your loan needs and

improving your service experiences.

With many of you taking advantage of historically low mortgage rates, we originated or refinanced more than \$1.6 billion in single-family home loans. Through our business development and branching efforts we welcomed over 29,000 new members to the First Tech family and provided valuable financial services to existing members located in all 50 states, Puerto Rico and 20 countries worldwide. We delivered these results while simultaneously improving asset quality and delivering more than \$62 million of net earnings that we'll re-invest in your credit union to increase your membership value.

While we made sound progress in 2012, we know there's much more work ahead. We have a vision. We aspire to be America's most admired credit union. It's an ambitious goal, but we intend

to earn that designation through innovation, quality and the relevance of our core products to you, our membership. During 2013 and beyond, we'll:

- Make significant investments in our online and digital delivery channels to deliver "best in class" experiences that allow you to transact when, where and how you wish.
- Delight you with superior service experiences.
- Make a material difference in your life and the communities that we all live and work in.
- Become a top 3% financial performer that is able to reinvest earnings in support of innovation while continuing to accumulate the capital needed to support America's growing technology sector.

The future is bright and the best is yet to come!

Greg Mitchell  
President and CEO



# Community

Helping communities prosper has always been a key priority for First Tech. That's why we devote time, money and energy to addressing initiatives that can erode the strength and stability of the communities we serve.

Ending hunger, promoting healthy diets; supporting literacy and education and preventing childhood disease, neglect and abuse are where we devoted our resources in 2012. And we made a material difference by supporting a wide array of different community events and activities, including:

- Channeling over a half million dollars into local communities through corporate contributions and event sponsorships.
- Donating over 3,000 pounds of food to local food banks.
- Awarding \$23,500 in college scholarships to First Tech members.
- Investing over \$30,000 in local school districts to fund education grants in K-12 classrooms.
- Volunteering over 2,320 total hours.

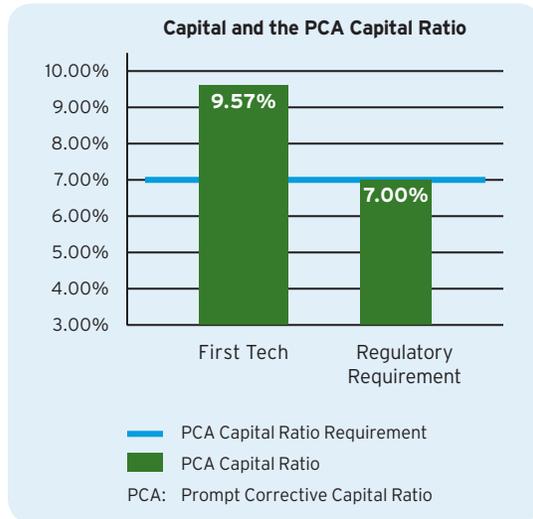
In 2013 and beyond we'll continue to be strong supporters of our communities. We'll increase our financial contributions significantly, both in terms of dollars and volunteer time. For more information about our community activities, please visit [firsttechfed.com](http://firsttechfed.com).



# Safe, Sound, Secure

To help you prosper, it's essential that First Tech remains financially safe, sound and secure. The great news is that 2012 was a record year for us.

Through earnings, we generated over \$62 million in capital and ended the year with over \$5.6 billion in assets and net worth in excess of \$537 million. Our regulator, The National Credit Union Administration (NCUA), considers a credit union to be well-capitalized if its prompt corrective capital (PCA) ratio exceeds 7%. We closed the year with a PCA capital regulatory standards ratio of over 9.57%.



In terms of lending, we loaned in excess of \$2.3 billion to our members and ended the year with total outstanding loans exceeding \$3.5 billion. From a credit quality standpoint, our loan portfolio remained strong with total delinquencies of only 0.65% at year end. In addition, First Tech continues to be a safe harbor for our members, as evidenced by deposit growth of over \$426 million.

Our present is robust and solid. Our future looks strong.



# Board of Directors

John Weidert, Board Chair  
Chair, Executive Committee

Tony Backes, Board Vice-Chair

Dotty Hayes, Finance Officer  
Chair, Enterprise Risk Committee

Carolyn Strong, Board Secretary

Jeff Hank, Board Assistant Secretary

Shola Aluko, Director

Kathy Farmer, Director

Tom Gifford, Director  
Chair, Supervisory Committee

Greg Gillas, Director  
Chair, Compensation & Benefits Committee

Peter Horadan, Director

Craig Nordlund, Director  
Chair, Nominating & Governance Committee

Mark Plastino, Director

Tom Sargent, Director



# Supervisory Committee Statement

The Supervisory Committee of First Tech Federal Credit Union provides independent monitoring and review of the Credit Union's operations, procedures, internal controls and management on behalf of the membership.

In fulfilling statutory duties and obligations to safeguard member assets, the Supervisory Committee's primary responsibilities include completing independent external financial audits of the financial statements and records, as well as the control structures of the Credit Union; conducting verification of member accounts; ensuring ongoing reviews of closed accounts; directing the internal audit function; and attending monthly Board of Directors' meetings.

To accomplish these responsibilities, First Tech Federal Credit Union's Supervisory Committee relied on the services of Orth, Chakler, Murnane & Company, CPAs, to conduct the independent opinion audit as of December 31, 2012; and the services of the Credit Union's Internal Audit department and the firms of Crowe Horwath LLP and McGladrey LLP to provide internal audit services.

In addition, in 2012 our government regulator, the National Credit Union Administration (NCUA), examined the Credit Union. None of the audits or exams raised material issues or contained findings that resulted in management disagreement.

It is the conclusion of the Supervisory Committee that First Tech Federal Credit Union operated in a safe and sound financial manner and that the assets of the membership are being effectively safeguarded.

The 2012 Supervisory Committee volunteers were: Ray Chau, Vipul Chitalia, Doug Denney, Dirk Dykson, Don Lew, Mark Neeley, Ed Sanderson, and myself. I would like to thank each of our Committee Members for their time and committed efforts during the past year.



Tom Gifford  
Chair  
First Tech Supervisory Committee

# Statement of Financial Condition

First Tech Federal Credit Union	as of December 31, 2012		as of December 31, 2011	
<b>Assets</b>	<i>(Dollars in thousands)</i>			
Cash	\$	\$71,168	\$	\$71,511
Investments:				
Available-for-sale		1,832,428		1,823,610
Other		51,090		48,116
Loans held for sale		512		-----
Loans to members, net of allowance for loan losses		3,432,578		2,973,251
Accrued interest receivable:				
Loans		9,716		8,536
Investments		6,241		6,088
Prepaid and other assets		63,254		55,906
Property and equipment, net		15,006		14,310
NCUSIF deposit		43,418		39,812
Intangible assets		88,837		93,768
<b>Total assets</b>		<b>5,614,248</b>		<b>5,134,908</b>
<b>Liabilities and Members' Equity</b>				
Liabilities				
Members' share and savings accounts		4,706,815		4,275,634
Borrowed funds		240,308		264,596
Accounts payable and accrued liabilities		57,720		55,716
Total liabilities		5,004,843		4,595,946
<b>Members' Equity</b>				
Regular reserve		76,883		76,883
Undivided earnings		222,128		159,327
Equity acquired through merger		300,000		300,000
Accumulated other comprehensive income		10,394		2,752
Total members' equity		609,405		538,962
<b>Total liabilities and members' equity</b>	<b>\$</b>	<b>5,614,248</b>	<b>\$</b>	<b>5,134,908</b>

# Statement of Income

First Tech Federal Credit Union	as of December 31, 2012	as of December 31, 2011
<b>Interest Income</b>		<i>(Dollars in thousands)</i>
Loans to members	\$ 148,680	\$ 141,045
Investments	26,104	31,964
Total Interest Income	174,784	173,009
<b>Interest Expense</b>		
Members' share and savings accounts	26,743	30,164
Borrowed funds	7,123	7,790
Total interest expense	33,866	37,954
Net interest income	140,918	135,055
Provision for Loan Losses	12,798	10,910
Net interest income after provision for loan losses	128,120	124,145
<b>Non-Interest Income</b>		
Interchange income	26,473	23,479
Gain on sale of mortgage loans, net	22,588	7,809
Fees and service charges	21,702	17,686
Sales of insurance and investment products	16,435	41,094
(Loss)/gain on sale of investments, net	(2,651)	1,693
Total non-interest income	84,547	91,761
Income before non-interest expenses	212,667	215,906
<b>Non-Interest Expense</b>		
Compensation and employee benefits	62,936	59,366
Insurance products	18,838	18,027
Loan servicing	16,511	15,880
Professional and outside	16,425	36,057
Office operating	13,050	11,912
Office occupancy	10,686	10,424
Other	5,858	5,126
Corporate credit union stabilization fund assessments	4,125	9,953
Merger expense	1,437	7,654
Total non-interest expense	149,866	174,399
<b>Net income</b>	<b>\$ 62,801</b>	<b>\$ 41,507</b>



**firsttechfed.com | 855.855.8805**



**Equal Housing  
Opportunity** | **Federally insured  
by NCUA**