

2014 Annual Report

First  **Tech**
federal credit union



2014

annual report



2014

annual report

Strengthening Financial Futures For Over 60 Years

More than a half-century ago, passionate innovators at Tektronix and Hewlett-Packard had an ambitious vision to help their employees strengthen their financial lives. These forward-thinking individuals recognized a need that simply couldn't be addressed by a traditional bank. From that vision, human dedication and technological innovation converged and First Tech Federal Credit Union was founded.

What our founders recognized many years ago still holds true: passionate people within technology-driven companies continue to make tomorrow's firsts a reality today. Through the years, First Tech has continued to look for innovative ways to help you strengthen your financial future, and to be your partner when the 'firsts' in your life happen: a first savings account and credit card, the first of many new car or mortgage loans, a big career move and the ever-important investment and retirement account.

As a not-for-profit, member-owned credit union, we're inspired to serve you, our members. We're still driven by the same passion and promise we had at the very beginning of our journey—to earn your admiration, your trust and your loyalty. We work hard every day to be your financial partner and are committed to offering you essential financial services and insights that fit your needs during all of your life's firsts.

Thank you for your
continued membership
with First Tech.



Growing Strategically

As you'll see outlined in this annual report, First Tech's 2014 performance was exceptional. With Greg Mitchell, our President and CEO, and our Executive Team's leadership, First Tech saw another year of double-digit asset growth, increased member satisfaction scores and increased community involvement. I'm extremely proud of the work they have accomplished.

As First Tech grows, we continue to be thoughtful about our business practices so we can ensure First Tech remains safe and secure. During our annual National Credit Union Administration (NCUA) audit, the NCUA once again commended First Tech for our risk management practices, earnings, strategy and vision we've set forward. This is an incredible achievement and valuable confirmation of our sound business practices.

In addition to our strong business results, I'm inspired by our employees' generous contributions of time and enthusiastic support within our local communities. Giving back is an integral part of our culture, and our impact grows every year. In 2014, First Tech invested over \$1.2 million in

our local communities and our employees completed more than 18,500 hours of community service. I'm excited to see what they'll accomplish in 2015.

Along with our goal of becoming America's most admired credit union, we want to become America's employer of choice. Our leadership team is committed to providing opportunities for employees to continue their professional development. In 2014, we introduced dedicated Personal Development time, offered additional training classes and more. In 2015, we'll continue our efforts to ensure our employees have the skills needed to create superior member experiences for you, our fellow members.

As we mark the end of our 62nd year serving you, the Board of Directors and I thank you for another year of membership and for allowing us to be a strategic partner in your financial future.

John Weidert

**Chairman
Board of Directors**



2014

annual report



Building Strong Financial Futures

2014 was another solid year for First Tech and you, our members. We're obsessed with improving your experience while focusing on opportunities to delight you with great products, helpful employee interactions, state-of-the-art technologies that make managing your money easier, and financial solutions that help you secure a bright and prosperous future.

I'm proud to report we welcomed more than 36,000 new members to the First Tech family in 2014. We assisted over 5,200 members with new mortgages, helping them purchase a new home or refinance an existing one. Over 37,000 members are now driving new cars with First Tech auto loans, and more than 25,000 members benefit from credit cards with some of the lowest rates in the nation. Through your support, member shares increased by more than \$400 million, and we ended the year with \$7.34 billion in total assets, lifting us to become the ninth largest credit union in America.

We aspire to be America's most admired credit union, and to live purposeful lives. And while we've made significant progress, we know we still have work to do. In 2015, we'll continue to focus on some key initiatives:

- **Debit and credit cards** - We'll issue members new MasterCard-based EMV Chip and PIN-enabled debit and credit cards, which will increase card data security and reduce the chance of fraudulent transactions. We'll also provide enhanced rewards and some of the lowest rates in America.
- **Online and mobile banking** - We'll enhance our online and mobile banking solutions with a new platform offering ease of use, enhanced security and the opportunity for personal customization.
- **Process improvements** - We'll reinvest our earnings into innovative technologies and processes that keep your banking safe and secure, while providing a superior service experience across all channels (branch, phone or online).
- **Community involvement** - We'll donate significant time, money and resources, including over 20,000 employee hours, to help strengthen the fabric of our communities.

We're committed to supporting you, your family and your dreams of a stronger financial future.

Greg Mitchell
President and CEO



2014

annual report



2014

annual report

Community

At First Tech, we know we're only as strong as the people in our community. We believe that building a strong community takes contributions from every member in it, and we want to do our share to set a foundation for a better future.

In 2014, we focused on developing the leaders of tomorrow by investing our time, money and resources to organizations committed to: K-12 education with a focus on literacy and science, technology, engineering and mathematics (STEM); supporting community health; and providing basic human needs support.

To learn more about our community activities and giving efforts, please visit firsttechfed.com/community.

IN 2014, FIRST TECH MADE SIGNIFICANT INVESTMENTS IN OUR COMMUNITIES

\$451,639

invested in STEM and literacy

\$35,000

awarded in college scholarships

\$311,845

donated to community health organizations

18,520

hours served in our communities

\$77,000

given to basic human needs support

55%

increase in employee giving

\$19,488

matched through our employee giving program

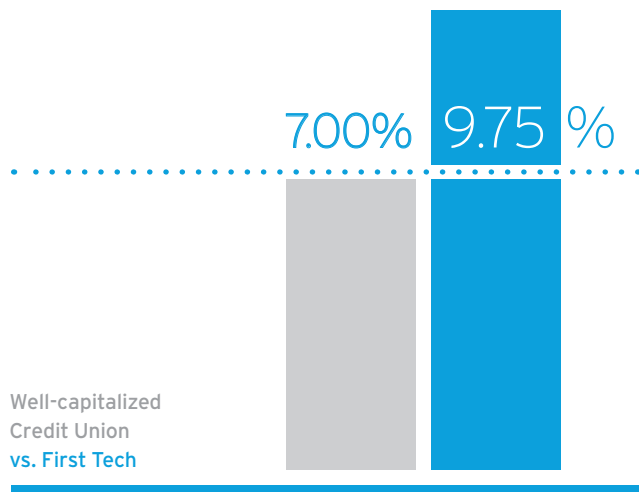


2014

annual report

Financially Strong, Safe and Sound

As your financial cooperative, our mission is to serve all your financial needs. To do that, we must remain safe, sound and secure. First Tech had another exceptionally strong year in 2014 because of your continued partnership with us.



For the year, assets grew by 12.4%, reaching \$7.34 billion at year end. We had a strong lending year with loans growing by 27.9%, reaching \$5 billion at year end. We maintained our strong credit quality as evidenced by our delinquency ratio (loans 60 days delinquent or greater to total loans) of 0.14%. We also remained a safe harbor for your savings with total deposits increasing by 9.9%, reaching \$5.48 billion at year end.

Through earnings of \$88.3 million, we increased our regulatory capital to \$716.12 million or 9.75% of assets. To put this in context, our regulator the National Credit Union Administration (NCUA) considers a credit union to be well capitalized if its regulatory capital ratio or PCA capital ratio exceeds 7%. We have \$202.14 million in surplus capital to both ensure we remain safe and sound and to support future growth.

We thank you for partnering with us for your financial needs. You are the reason we exist and our success depends on your success!

Board of Directors



2014

annual report

John Weidert
Chairman
Chair, Executive
Committee

Tony Backes
Vice Chairman

Dotty Hayes
Finance Officer/
Treasurer
Chair, Enterprise Risk
Committee

Carolyn Strong
Secretary

Jeff Hank
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



2014

annual report

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's Supervisory Committee relied on the services of Orth, Chakler, Murnane & Company, CPAs, to conduct the independent opinion audit as of December 31, 2014; and the services of the Credit Union's Internal Audit department and the firm of Crowe Horwath LLP to provide internal audit services.

In addition, in 2014 our government regulator, the National Credit Union Administration (NCUA), conducted both our annual regulatory exam and a Fair Lending exam. 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 operated in a safe and sound financial manner and that the assets of the membership are being effectively safeguarded. I would like to thank each of our Committee Members for their volunteered 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 Dec. 31, 2014	As of Dec. 31, 2013
Assets (Dollars in thousands)		
Cash	\$55,738	\$180,668
Investments		
Available-for-sale	1,832,142	2,111,252
Other	100,200	200
Loans held for sale	9,384	2,531
Loans to members, net of allowance for loan losses	4,982,786	3,899,405
Accrued Interest Receivable		
Loans	12,075	10,395
Investments	5,631	6,842
Federal Home Loan Bank (FHLB) stock	63,600	46,966
Prepaid and other assets	135,658	131,672
Property and equipment, net	15,800	13,036
NCUSIF deposit	48,304	45,805
Intangible assets	81,150	84,631
Total Assets	7,342,468	6,533,403
Liabilities and Members' Equity (Dollars in thousands)		
Liabilities		
Members' share and savings accounts	5,482,004	4,989,653
Borrowed funds	1,012,809	806,549
Accounts payable and accrued liabilities	72,773	70,317
Total liabilities	6,567,586	5,866,519
Members' Equity		
Regular reserve	76,883	76,883
Undivided earnings	401,049	312,731
Equity acquired through merger	300,000	300,000
Accumulated other comprehensive (loss)/income	(3,050)	(22,730)
Total members' equity	774,882	666,884
Total Liabilities and Members' Equity	7,342,468	6,533,403

Statement of Income

First Tech Federal Credit Union	For the year ending Dec. 31, 2014	For the year ending Dec. 31, 2013
<i>(Dollars in thousands)</i>		
Interest Income		
Loans to members	\$181,223	\$152,171
Investments	36,189	31,043
Total interest income	217,412	183,214
Interest Expense		
Members' share and savings accounts	21,548	20,743
Borrowed funds	9,476	5,611
Total interest expense	31,024	26,354
Net interest income	186,388	156,860
Provision for loan losses	13,746	6,622
Net income after provision for loan losses	172,642	150,238
Non-Interest Income		
Interchange income	30,276	28,261
Sales of insurance and investment products	19,579	17,240
Fees and service charges	13,559	13,738
Gain on sale of mortgage loans	8,797	29,281
Gain/loss on sale of investments, net	877	525
Total non-interest income	73,088	89,045
Income before non-interest expenses	245,730	239,283
Non-Interest Expense		
Compensation and employee benefits	64,698	59,539
Loan servicing	25,804	22,384
Professional and outside	21,801	21,512
Insurance and investment sales	14,629	13,067
Office operating	12,861	12,649
Office occupancy	10,956	9,887
Other	6,663	5,978
Corporate credit union stabilization fund assessments	-	3,664
Total non-interest expense	157,412	148,680
Net Income	88,318	90,603



Est. 1952

