

UNIVERSITY OF IOWA COMMUNITY CREDIT UNION

2017 ANNUAL REPORT





FROM THE PRESIDENT

JEFFREY A. DISTERHOFT

As we reflect on the year that was, we are excited to share with you the accomplishments and accolades that made 2017 a success. But try as we might, a year's worth of efforts cannot be effectively encapsulated into any annual report. What we hope you take away from this year's report is that every employee and Board member of the credit union takes tremendous pride in serving our members, communities and employees to the best of our ability. And while we believe we served those groups well in 2017, there's no doubt that our success is dependent on the contributions of the very people we strive to serve: our employees, communities, and member-owners.

And so with that as a backdrop, we express our gratitude...

We're grateful for the collective efforts of our fellow **employees**. Our family of teammates is the finest group I've ever had the pleasure of working with. They remain passionate about the service they provide to our members and our communities, and are tireless in their contributions. They've truly dedicated themselves to provide the highest level of service to our 170,000 member-owners, and continue to come forward with ideas to improve upon that service.

We're grateful to each of the **communities** we serve throughout Iowa. They have welcomed us with open arms, just as we have embraced our role to support these markets financially and through volunteerism. Over the years these communities have become more than trusted partners – they have become our neighbors and valued friends.

We're grateful to each of you as **member-owners** of the cooperative for both your patronage of our credit union as well as your support of the credit union philosophy as a whole. The "people helping people" mantra adopted by the credit union industry a century ago remains the cornerstone of operating principles today.

In closing, we are also grateful for our volunteer **Board of Directors** and the unwavering leadership and visionary direction they have provided over the past year. Their commitment to our employees, communities, and membership is the glue that bonds us together and unifies our values in a way that makes the UICCU a pleasure to serve, and a pleasure to be served by.

Respectfully submitted,
Jeffrey A. Disterhoft, President / CEO





REPORT OF THE CHAIRPERSON

KARIN FRANKLIN



2017 was another great year for University of Iowa Community Credit Union. As we enter our 80th year of service, however, Iowa credit unions have faced rapidly intensifying attacks from the banking lobby. Iowa Bankers claim that the tax-exempt status of credit unions is not good for the Iowa economy. So let's set the record straight.

- **It is good for the Iowa economy.** Credit unions by design are built to give back to members, not to a handful of stockholders that may not even live in your community. UICCU is no exception. In fact, in the last 5 years, no other financial institution in the United States (bank or credit union) has been consistently ranked as high as UICCU for returning profits to its members in the form of better rates. If you look at UICCU loan and deposit rates and place it up against the average bank rates in Iowa, we put over \$45 million back into the pockets of our members last year.
- **We are here to serve all Iowans, no matter their income level.** Over 65% of the consumer loans UICCU made in 2017 were made to people making less than Iowa's median household income.
- **It's even good for non-members.** All Iowans benefit from a competitive financial services landscape. The more competition there is for your personal business, the more aggressively priced deposit and loan prices are. In this way, even non-members benefit from healthy competition.
- **We invest in our communities.** As we grow, so too does our ability to give back. This year we donated over \$1.4 million to over 900 Iowa-based charities and our staff volunteered thousands of hours in community service. We are not required by law to do this. It's simply the way we prefer to do business.
- **Banks are not suffering. Iowa banks continue to set annual records for profit, and have for the last six years.** They control over 86% of the deposits in Iowa and 95% of the business loans. Yet they still ramp up the attacks on Iowa's credit unions.

Although we have the Iowa Credit Union League to lobby for us, legislators listen to you. As you hear about this issue arising again and again, contact your legislator and let them know how you feel about credit unions. Visit www.uiccu.org/advocacy to learn more about how you can help protect freedom of choice in financial services.

On behalf of our volunteer Board of Directors, thank you for your membership. We look forward to a great year together.

Respectfully submitted,
Karin Franklin, Chairperson



REPORT OF THE AUDIT COMMITTEE

FRED MIMS



As authorized by the Credit Union's by-laws, the Audit Committee retained the accounting firm of RSM US LLP (formerly McGladrey LLP) to provide external auditing services during the past year. As in years past, RSM's comprehensive audit report indicated that the Credit Union's financial statements are presented in accordance with generally accepted accounting principles.

Your Credit Union also conducts internal audits in all areas of the UICCU to evaluate the adequacy of internal controls, adherence to internal policies and procedures, as well as compliance with state and federal rules and regulations. The Credit Union also engages external auditors to supplement internal audit activities in specialized areas such as information technology and member business lending. The Audit Committee wishes to commend the Internal Audit department for their continued good work on behalf of the Credit Union's membership.

During November 2017, the Credit Union received its examination by the Iowa Credit Union Division and the NCUA, as of September 30, 2017. This exam focuses on financial risk areas and your Board of Director's and Credit Union management's oversight and operational management of these areas. The exam focuses on the UICCU's lending and investment policies, its asset – liability management policies, and its ongoing performance as measured by several key financial ratios such as earnings and capital adequacy. Your Credit Union received a favorable examination report from its regulators.

As your Credit Union continues to successfully grow, the Audit Committee has taken steps to ensure risks to the cooperative are appropriately recognized and managed. The committee in 2017 commissioned an external review of the appropriateness of internal audit activities, and is taking steps to institute an enhanced risk assessment process with the help of our accounting firm, RSM US LLP. The Audit Committee also reviews and ensures follow up by management on findings from the Iowa Credit Union Division and NCUA exam.

All Credit Union accounts are federally insured up to \$250,000 by the National Credit Union Share Insurance Fund (NCUSIF). In addition to deposit insurance, the Credit Union also maintains a multi-million dollar faithful performance bond, which provides coverage for our professional staff and volunteer directors.

Respectfully submitted,
Fred Mims, Chair, Audit Committee



REPORT OF THE CREDIT COMMITTEE

MARK ROLINGER, CHAIR

It is with great pleasure we report another strong year for lending at University of Iowa Community Credit Union, serving thousands of members with convenient, low-cost credit. Our overall delinquency ratio did see an increase to 0.63% (up from 0.53% a year ago) and net charge-offs increased 24% (down from a 35% increase a year ago). We did experience overall loan growth of \$754 million (21% increase) over the year. UICCU staff love the opportunity to help members with their borrowing needs. They get to share in the excitement that members feel when buying a new car, building a new home, financing a real estate development, or consolidating and eliminating high interest debt. This passion for lending is reflected in some very impressive facts and figures:

MEMBER BUSINESS LENDING

- Loan originations outpaced the prior year for the 7th consecutive year and had originations of \$470 million.
- The member business loan portfolio grew 20% in 2017 (5% above budget).
- Credit quality remained exceptional as evidenced by low delinquency and minimal loan losses.

MORTGAGE LENDING

- We were the top mortgage producer in Iowa for the year, closing a record \$1.2 billion in total mortgages and helping 6,000 families with their home loan needs.
- The in-house first mortgage loan portfolio grew 27% in 2017 (8% above budget).
- We continue to pride ourselves on low closing fees, which when you combine that with our great pricing, allows members the best opportunity in terms of a total financial package that will save them money.

RETAIL AND INDIRECT LENDING

- We were the second leading vehicle lender in the state of Iowa and the leading home equity lender in Eastern Iowa.
- We opened over 8,700 new credit cards, and as a result more members now carry a UICCU credit card than ever before in our history. Our credit card loan portfolio grew almost 19% (right at budget).
- We helped over 22,000 individuals/families through our indirect partners by closing a record \$488 million in indirect auto loans and our indirect loan portfolio grew 17% (8% above budget).
- Through our branch network, our call center, and our online network, we helped 7,500 individuals/families by closing \$134 million in vehicle loans; almost 3,600 individuals/families by closing \$130 million in home equity loans; and we helped 4,500 individuals/families by closing \$39 million in personal loans. OTC car loan balances grew 9% (6% below budget); personal loan balances grew 21% (7% below budget); and home equity and piggyback balances grew almost 13% (1% and 2% below budget respectively).
- 2017 was our first year with Platinum Financing and we had almost \$1.1 million in loan production.

Our professional lending staff understands that *smart lending* begins with a keen understanding of what each borrowing member needs and this is accomplished through the profiling process. It also means being responsible and not burdening members with debt that they may not be able to handle. It is essential to us that members have a positive experience with UICCU, whether it is getting a loan for a new car or the house it is parked at and doing what makes the most sense for our members. It is what sets us apart from the competition. Thank you for giving us the opportunity to serve you.

Respectfully submitted,
Mark Rolinger, Chair, Credit Committee

IN 2017

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20%
(5% ABOVE
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**REPORT OF THE CHIEF
FINANCIAL OFFICER
DEAN BORG**



The University of Iowa Community Credit Union, a financial cooperative, earned net income of \$69.7 million during business year 2017. That is a 23% increase when compared to the cooperative's \$56.6 million net income during 2016.

The number of UICCU member-owners increased 14% during 2017 to exceed 170,700 members. Membership growth and expansion of UICCU member service locations resulted in a 20% increase in total assets which totaled \$4.7 billion at the close of 2017.

Member-owner equity is \$393.8 million, a 22% increase during 2017. The cooperative maintains a strong capital position, with a total equity to total assets ("capital ratio") of 8.43% on December 31, 2017.

Respectfully submitted,
Dean Borg, Chief Financial Officer

AUDITED FINANCIAL STATEMENTS

CONDENSED STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2017 AND 2016

| ASSETS | 2017 | 2016 |
|------------------------------|------------------------|------------------------|
| Net Loans | \$4,297,019,000 | \$3,542,796,000 |
| Cash & Cash Equivalents | \$121,181,000 | \$128,531,000 |
| Federal Home Loan Bank Stock | \$41,006,000 | \$33,448,000 |
| NCUSIF Deposit | \$26,003,000 | \$22,897,000 |
| Other Assets | \$103,668,000 | \$94,351,000 |
| Property and equipment | \$83,532,000 | \$80,269,000 |
| Total Assets | \$4,672,409,000 | \$3,902,292,000 |

| LIABILITIES AND MEMBERS' EQUITY | 2017 | 2016 |
|--|------------------------|------------------------|
| Members' Shares and Savings Deposits | \$1,390,421,000 | \$1,255,390,000 |
| Members' Certificate and IRA Deposits | \$2,140,105,000 | \$1,774,688,000 |
| Federal Home Loan Bank Advances | \$700,000,000 | \$494,000,000 |
| Other Liabilities | \$48,126,000 | \$54,345,000 |
| Members' Equity | \$393,757,000 | \$323,869,000 |
| Total Liabilities and Members' Equity | \$4,672,409,000 | \$3,902,292,000 |

CONDENSED STATEMENT OF INCOME YEARS ENDED 2017 AND 2016

| | 2017 | 2016 |
|--|----------------------|----------------------|
| Interest from Loans | \$171,108,000 | \$139,107,000 |
| Interest from Investment Securities and Other Interest | \$4,017,000 | \$3,237,000 |
| Total Interest Income | \$175,125,000 | \$142,344,000 |
| Interest Paid on Borrowed Funds | \$7,929,000 | \$5,020,000 |
| Interest Paid on Member Shares and Savings Accounts | \$11,085,000 | \$9,052,000 |
| Interest Paid on Member Certificate and IRA Accounts | \$35,313,000 | \$31,422,000 |
| Total Interest Expense | \$54,327,000 | \$45,494,000 |
| Net Interest Income | \$120,798,000 | \$96,850,000 |
| Other Operating Income | \$45,946,000 | \$38,162,000 |
| Other Operating Expense | \$77,427,000 | \$64,982,000 |
| Provision for Loan Losses | \$19,633,000 | \$13,452,000 |
| Net Income | \$69,684,000 | \$56,578,000 |

The complete audited financial statements including the independent auditors' unqualified report are available upon request.

OUR MISSION

To improve the quality of life in communities we serve
by promoting the financial well-being of their residents.

WE OFFER THESE SERVICES

LOAN SERVICES

Home Loans
Auto Loans
Credit Cards
Home Equity Loans
Personal Loans
Private Student Loans
Recreational Vehicle and Boat Loans
Commercial Loans

DEPOSIT SERVICES

Checking Services
Savings Accounts
Money Market Accounts
Certificates of Deposit
Individual Retirement Accounts

INVESTMENT SERVICES* & INSURANCE**

Trust Services
Brokerage Services
401(k) Plans
Retirement Planning
Asset Management
Mutual Funds
Pension Rollovers
Auto, Home, Business & Life Insurance**
**Investment services listed are through UICCU Wealth Management*
***Insurance Services listed are through UICCU Insurance*

LOCATIONS

WESTSIDE IOWA CITY, 825 Mormon Trek Blvd.
DOWNTOWN IOWA CITY, 500 Iowa Ave.
EASTSIDE IOWA CITY, 2525 Muscatine Ave.
CORALVILLE, 1151 2nd St.
NORTH LIBERTY, 585 W. Penn St.
NORTH LIBERTY FINANCIAL CENTER, 2355 Landon Rd.
GRINNELL, 705 6th Ave.
DOWNTOWN CEDAR RAPIDS, 716 A Ave. NE
HIAWATHA, 405 S. Blairsferry Crossing
WESTDALE, 2340 Edgewood Rd. SW
MARION, 727 Oakbrook Dr.
CEDAR FALLS, 3409 Cedar Heights Dr.
WATERLOO, 930 Tower Park Drive
DAVENPORT, 3402 Elmore Ave.
BETTENDORF, 2123 53rd Ave.
WEST DES MOINES, 390 Jordan Creek Pkwy
CEDAR RAPIDS NORTH, 1400 Blairsferry Rd NE
WAUKEE, 1085 Hickman Rd

COMING SOON!

FALL, 2018 - ANKENY, 2610 SW White Birch Dr

BOARD OF DIRECTORS

DEAN BORG—Iowa Public Radio (retired)
LAUREL DAY—Cedar Rapids Community School District
LYNSEY ENGELS—Mel Foster Co.
SARAH FISHER GARDIAL—University of Iowa Tippie College of Business
KARIN FRANKLIN—Chair, City of Iowa City (retired)
TOM LEPIC—Lepic-Kroeger Realtors
ANDRE PERRY—The Englert Theatre
FRED MIMS—University of Iowa Athletic Department (retired)
MARC MOEN—Moen Group
MARK ROLINGER—Redfern, Mason, Larsen & Moore, P.L.C.
DAVE WRIGHT—Dave Wright Nissan Subaru

Cover/inside photos: UICCU Financial Center display completed this fall details UICCU history from 1938 to present.

UICCU'S TAX BENEFIT: IS IT WORTH IT TO IOWANS?

| | UICCU | IOWA AVERAGE | ANNUAL UICCU BENEFIT TO IOWANS ² |
|---------------------------|-------|--------------|---|
| AVERAGE LOAN RATE | 4.30% | 4.59% | \$11,200,000 |
| AVERAGE DEPOSIT RATE | 1.32% | 0.27% | \$33,900,000 |
| AVERAGE FEES ¹ | 0.99% | 1.00% | \$400,000 |
| | | | \$45,500,000 |

SOURCE: NATIONAL CREDIT UNION ADMINISTRATION

¹EXPRESSED AS % OF ASSETS.

²BASED ON ACTUAL UICCU BALANCES.



UNIVERSITY OF IOWA
COMMUNITY
CREDIT UNION

Equal Housing Opportunity • Federally Insured by NCUA

1-800-397-3790 • www.uiccu.org