

# 2013 Annual Report





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## Once a Vision. Now a Lasting Partnership.

More than a half-century ago folks at Hewlett-Packard and Tektronix 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 was founded.

Through the years, we've continued to look for innovative ways to empower you to manage your financial life and deliver an effortless banking experience. 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, your loyalty and most importantly, your partnership . . . [for life.](#)



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## Leading with Enthusiasm and Dedication

Dear Fellow Members,

First Tech Federal Credit Union's 2013 performance was outstanding. Our accomplishments are spelled out in this Annual Report and in the message from Greg Mitchell, our President and CEO.

On behalf of the Board, I'm very pleased with all that was achieved during the year. Greg's enthusiasm and ability to create a positive environment where our dedicated and passionate folks could thrive have been the impetus for these results. During 2013, Greg and team have been building the foundation to enable First Tech to take full advantage of the merger we went through three years ago.

There's a lot of positive change going on throughout our entire organization that will position us to even better serve our member and community needs well into the future. During our National Credit Union Administration (NCUA) audit, First Tech was commended for implementing several smart business practices. In fact, NCUA shared with us that they would like these processes to be the blueprint for other financial institutions.

First Tech has made significant contributions to the communities in which we serve. From supporting community health, to providing for basic human needs and investing in education, our community involvement is very much a part of who we are and what makes us unique.

I'm extremely proud of the accomplishments of the entire First Tech team. There's a tremendous change process going on so that we can continue to be your financial services provider of choice into the future. When you look at our results, you'll understand why I feel so proud of all that was accomplished during 2013.

First Tech is here to serve you and your families' financial needs. On behalf of the Board of Directors, I want to thank you for being part of the First Tech family.

Best Regards,

John Weidert

Chairman  
Board of Directors



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## Working Together for a Bright Future

Thank you, fellow members!

With 2013 came great change and reward for First Tech and you, our members. In response to measured improvements in our people, products and processes, you rewarded us with meaningful increases in member satisfaction scores and greater usage of First Tech's products and services.

This rise in member engagement resulted in more than \$900 million of asset growth and a record \$90.6 million in net income. Remarkably, this level of income was generated after investing more than \$7 million in people, technology and process improvements aimed at improving First Tech's long-term relevance and service for you.

Beyond the growth in assets and earnings, First Tech delivered real value for you through attractive pricing on basic services and favorable rates on loans and deposit products. When comparing our product rates and fees to those offered by banks in our primary market areas, First Tech members saved nearly \$143 million in 2013.

While we've made sound progress in 2013, we still have a significant number of steps ahead as we continue to build the type of credit union demanded by you, our member owners. We recognize that in order to remain "relevant" and deliver value, we must continue to enhance our products and processes while making it "easy" and secure for you to transact with First Tech whenever, wherever and however you choose. Through hard work and your support we'll earn the mantle of America's most progressive and admired credit union. During 2014 and beyond, we'll:

- Become a top three percent financial performer able to reinvest earnings in support of innovation while continuing to accumulate the capital needed to support America's growing technology sector.
- Delight you with superior service experience in our branches, contact center and online. You should expect to see big improvements in the First Tech experience as we fully implement our new Multi-Channel Digital Initiative, which will provide decisions on most consumer loans in 2 minutes or less, mortgage loans in less than 28 days, and home equity loans in less than 15 days. More importantly, the process should be virtually effortless.
- Make significant investments in our online and digital delivery channels to deliver "best in class" experiences that allow you to transact with us when, where and how you wish.
- Ensure that your banking transactions and information remain secure. We'll achieve this through strong security controls, active surveillance of account activity and issuance of new Europay, Mastercard and Visa (EMV) chip cards.
- Make a material difference in your life and the communities that we all live and work in through the delivery of more than 12,000 hours of community service.

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

Greg Mitchell

President and CEO



# Community

Our unwavering commitment to strengthening the communities in which our members and employees live and work is not new. Since the very beginning this has been at the core of our organization. From corporate sponsorships and charitable contributions to scholarships and community service, we donate our time, money and energy to make our neighborhoods stronger.

In 2013, we focused our resources on developing tomorrow's leaders by investing in K-12 education with a focus on literacy and science, technology, engineering and mathematics (STEM), supporting community health and providing basic human needs support.



IN 2013, FIRST TECH MADE SIGNIFICANT INVESTMENTS IN OUR COMMUNITIES

**\$302,000**  
invested in STEM and literacy

**\$23,500**  
awarded in college scholarships

**\$142,000**  
donated to Credit Unions for Kids

**11,403**  
hours served in our communities

**\$87,000**  
given to March of Dimes

**43%**  
increase in employee giving

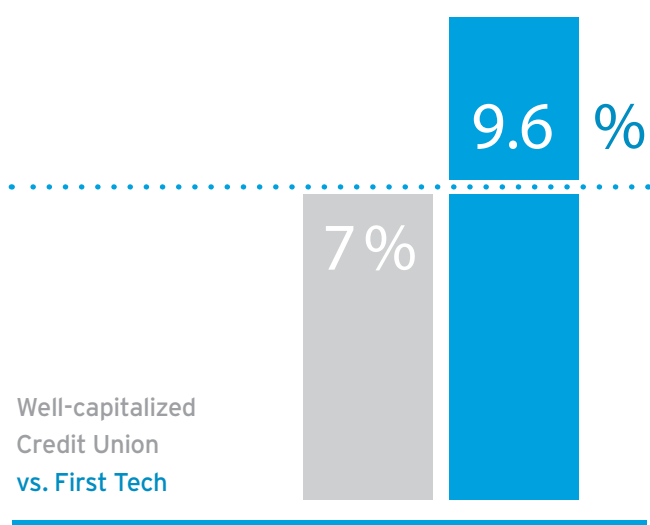
**\$12,576**  
matched through our employee giving program

For 2014, we've set our sights high, and we'll continue to be strong partners in our communities. If you'd like to learn even more about our community activities and giving efforts, please visit [firsttechfed.com](http://firsttechfed.com).



# Strength and Stability

We're here to serve you, and to do that, it's essential that we remain financially safe, sound and secure. The great news is that 2013 was a very strong year for us.



Through earnings, we generated over \$90 million in income and ended the year with over \$6.5 billion in assets and capital in excess of \$666 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 ratio of over 9.6%.

In terms of lending, member loans grew by \$464 million, and we ended the year with total outstanding loans exceeding \$3.8 billion. From a credit quality standpoint, our loan portfolio remained strong with a delinquency ratio greater than 60 days of 0.20% at year end. In addition, First Tech continues to be a safe harbor for our members, as evidenced by deposit growth of over \$282 million.

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



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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

First Tech Federal Credit Union's Supervisory Committee 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, 2013; 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 2013 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 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



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# Statement of Financial Condition

First Tech Federal Credit Union As of Dec. 31, 2013 As of Dec. 31, 2012

Assets	<i>(Dollars in Thousands)</i>	
<b>Cash</b>	\$180,668	\$71,168
<b>Investments</b>		
Available-for-sale	2,111,252	1,832,428
Other	200	200
Loans held for sale	2,531	512
Loans to members, net of allowance for loan losses	3,899,405	3,432,578
<b>Accrued Interest Receivable</b>		
Loans	10,395	9,783
Investments	6,842	6,241
Federal Home Loan Bank (FHLB) stock	46,966	36,589
Prepaid and other assets	131,672	77,488
Property and equipment, net	13,036	15,006
NCUSIF deposit	45,805	43,418
Intangible assets	84,631	88,837
<b>Total Assets</b>	<b>6,533,403</b>	<b>5,614,248</b>
<b>Liabilities and Members' Equity</b>		
<b>Liabilities</b>		
Members' share and savings accounts	4,989,653	4,706,815
Borrowed funds	806,549	240,308
Accounts payable and accrued liabilities	70,317	57,720
<b>Total liabilities</b>	<b>5,866,519</b>	<b>5,004,843</b>
<b>Members' Equity</b>		
Regular reserve	76,883	76,883
Undivided earnings	312,731	222,128
Equity acquired through merger	300,000	300,000
Accumulated other comprehensive (loss)/income	(22,730)	10,394
<b>Total members' equity</b>	<b>666,884</b>	<b>609,405</b>
<b>Total Liabilities and Members' Equity</b>	<b>6,533,403</b>	<b>5,614,248</b>



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# Statement of Income

First Tech Federal Credit Union	For the year ending Dec. 31, 2013	For the year ending Dec. 31, 2012
<i>(Dollars in Thousands)</i>		
<b>Interest Income</b>		
Loans to members	\$152,171	\$148,680
Investments	31,043	26,104
<b>Total interest income</b>	<b>183,214</b>	<b>174,784</b>
<b>Interest Expense</b>		
Members' share and savings accounts	20,743	26,743
Borrowed funds	5,611	7,123
Total interest expense	26,354	33,866
Net interest income	156,860	140,918
Provision for loan losses	6,622	12,798
Net interest income after provision for loan losses	150,238	128,120
<b>Non-Interest Income</b>		
Gain on sale of mortgage loans	29,281	22,588
Interchange income	28,261	26,473
Sales of insurance and investment products	17,240	28,463
Fees and service charges	13,738	9,674
Gain/(loss) on sale of investments	525	(2,651)
<b>Total non-interest income</b>	<b>89,045</b>	<b>84,547</b>
<b>Income before non-interest expenses</b>	<b>239,283</b>	<b>212,667</b>
<b>Non-Interest Expense</b>		
Compensation and employee benefits	59,539	53,964
Loan servicing	22,384	18,838
Professional and outside	21,512	15,938
Insurance and investment sales	13,067	26,921
Office operating	12,649	12,365
Office occupancy	9,887	10,606
Other	5,978	7,109
Corporate credit union stabilization fund assessments	3,664	4,125
<b>Total non-interest expense</b>	<b>148,680</b>	<b>149,866</b>
<b>Net Income</b>	<b>90,603</b>	<b>62,801</b>



Wired Differently

