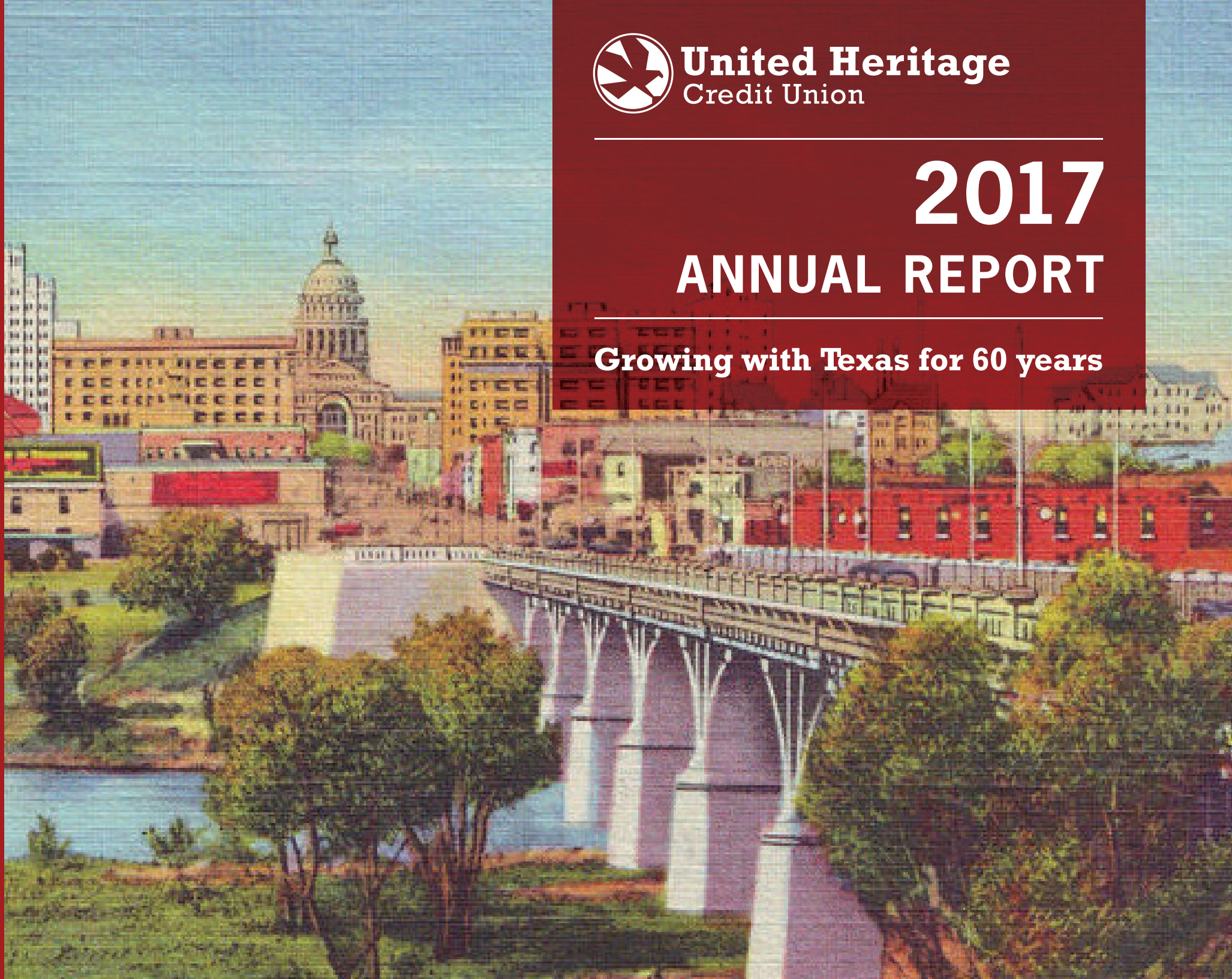




United Heritage
Credit Union

2017 ANNUAL REPORT

Growing with Texas for 60 years





VISION

To be the primary financial institution of choice.



MISSION

To provide quality, personalized service while maintaining a strong financial position. United Heritage believes in the Credit Union philosophy of "People Helping People."





Georgetown Branch, 1993

BOARD OF DIRECTORS

May D. Lofgreen, CCD	Chairman	Term: 2016-2019
Harold Keyes, CCD	Vice Chairman	Term: 2015-2018
James E. North, CCD	Secretary/Treasurer	Term: 2016-2019
H. Ralph Wilburn, CCD	Director	Term: 2017-2020
Grady Elliott, CCD	Director	Term: 2015-2018
Tommy W. Lueders	Director	Term: 2016-2019
Robert W. Spurck, Jr.	Director	Term: 2017-2020
Russ Miller	Associate Director	
Val Velasquez	Associate Director	

The Certified Credit Union Director (CCD) certification recognizes an individual's thorough understanding of key issues such as risk management, succession planning and strategy. The certification honors outstanding professional development efforts and represents dedication to the Credit Union movement.

SENIOR MANAGEMENT

Buddy Schroeder	President/CEO
Michael Ver Schuur	Executive Vice President/CSO
Sebrina Crawford	Senior Vice President Operations/COO
Karen Wilkerson	Senior Vice President Risk Management/CRO, ISO
Nanette Courtney	Vice President Compliance/CCO
Rebecca Elliott	Vice President Finance/CFO
Joshua Robles	Vice President Business Lending/CBLO
Kristie Simo	Vice President Consumer Lending/CCLO
Sara Vara	Vice President Human Resources/CHRO

Keith Varney, Vice President of Real Estate Lending, left the Credit Union in April 2017 after one year of service.



MAY D. LOFGREEN | CHAIRMAN

CHAIRMAN'S REPORT

Now in our 60th year, United Heritage Credit Union remains a healthy and growing organization committed to helping members build the financial futures they desire. Total assets for United Heritage reached nearly \$959 million in 2017, an achievement made possible only by our loyal membership. Ever mindful that this type of sustained success cannot be continued without a commitment to excellence, United Heritage will ardently work to provide unparalleled member value while making strategic investments in the future.

For the third consecutive year, United Heritage Credit Union hosted three Austin-Area Member Appreciation events at the Dell Diamond. These events, which are always in high demand, provide the Credit Union a way to show our thanks to our member-owners. Those who attend the events get to see a Round Rock Express baseball game and have access to the United Heritage Conference Center, where there are face painters, balloon artists, door prizes, ballpark eats and visits with Beaker, the UHCU eagle mascot. Members whose home base is our Tyler branch in East Texas were treated to a Member Appreciation Day in the fall of 2017. The event featured free food, a bounce house, face painting, live music, door prizes and more. These events also provide the opportunity for the Board of Directors and staff to visit with members.

In order to celebrate the Credit Union's 60th anniversary, United Heritage also hosted Fall Festivals at three of its branches around Austin. All in the community were invited to these free, family-friendly gatherings, and at each event there was free food, games, prizes, a bounce house, face painters and a petting zoo. These events provided an excellent way for the Credit Union to give back to the communities that have helped it flourish for the last six decades.

All this success has been made possible by the Credit Union's devoted team of employees. United Heritage Credit Union routinely attracts and retains top

talent, as evidenced by the 23 employees who have been with the Credit Union for more than 10 years. At United Heritage, we pride ourselves on the fact that all 193 employees are empowered to deliver the Credit Union's personalized approach to meeting our members' goals, expectations and needs with the many services that we provide. We are proud of our exemplary staff and our Credit Union's core values.

A select group of employees known as Team United Heritage consistently go the extra mile when it comes to supporting members and the community. The group was founded by Credit Union employees in 2011. This year, members of Team United Heritage gave 349 hours of personal time volunteering and contributed \$8,152 to worthy organizations with the support of the United Heritage Charity Foundation.

The Credit Union's successes this year can be attributed to the efforts of the volunteer Board of Directors. These skilled and knowledgeable Board members focus their expertise upon the Credit Union in order to guide it down the best path into the future. Having served on the board for more than 30 years and as Chairman for more than 20 years, I am confident in the Board's abilities and grateful to have such qualified experts leading us forward. I'd also like to thank longtime Board member John T. Keller, who retired in 2017, for his many contributions and service. He was a valued member of the board for nearly four decades. United Heritage's Kyle branch located at 5029 Kyle Center Drive was dedicated to Mr. Keller in 2017. The Credit Union is fortunate that he devoted his time and wisdom to improving United Heritage.

As we head into our 61st year, we remain committed to serving you, our member. 2018 will bring many great things, including the Credit Union surpassing \$1 billion in assets. We thank you for partnering with United Heritage for your financial needs and look forward to helping you achieve your financial goals in 2018 and beyond.

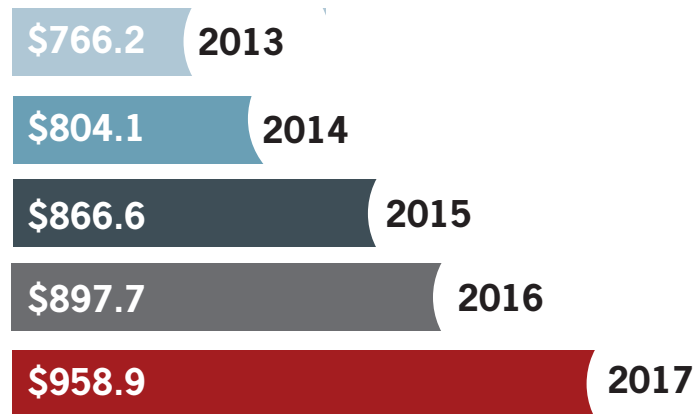




South Austin Branch, 1996

2017 ASSET OVERVIEW & FINANCIAL SNAPSHOT

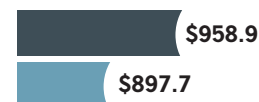
Total Assets | Dollars in Millions



Financial Snapshot | Dollars in Millions

2017 2016

ASSETS



LOANS



DEPOSITS



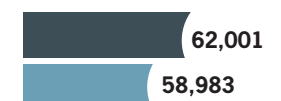
DIVIDENDS



NET INCOME



MEMBERS





BUDDY SCHROEDER | PRESIDENT AND CEO

PRESIDENT'S REPORT

2017 was another lucrative year for United Heritage Credit Union and its 62,001 member-owners. In the past 12 months, the Credit Union has expanded product and service offerings, increased commitment to security and further solidified the mission to provide quality, personalized service while maintaining a strong financial position. As we review the year, I feel confident that our current financial standing will lead to great things moving forward.

The success of the year is clearly evident, as supported by earnings, capital growth and evaluations conducted by the Credit Union's external audit firm and regulators from both the state and federal levels. Fueled by significant deposit growth, Credit Union assets increased more than \$61 million to nearly \$959 million in 2017. Deposits were up a substantial 5% over year-end 2016. Additionally, the Credit Union's capital ratio of 9.10% earned it a well-capitalized designation as per regulatory standards.

Keeping members' private, financial information secure has long been a priority for the Credit Union. In addition to providing unmatched service, competitive rates and high-quality products, United Heritage also strives to provide members peace of mind. In 2017, all UHCU VISA Debit Cards were upgraded to EMV Chip Debit Cards with embedded microchips to allow for more secure point-of-sale transactions. The Credit Union also launched Pause Your Card, a new feature that allows members to temporarily deactivate their UHCU VISA Debit Card.

United Heritage Credit Union's excellent team of dedicated employees is largely responsible for the superior service that the Credit Union provides its members.

In keeping with the goal of providing exceptional member service while sustaining financial success, United Heritage Credit Union partnered with another credit union to launch Texas Mortgage Lending, LLC., in 2017. The Credit Union Service Organization (CUSO) allows United Heritage the opportunity to expand mortgage origination services to its membership, while capitalizing on economies of scale through shared costs and process optimizations between both credit unions.

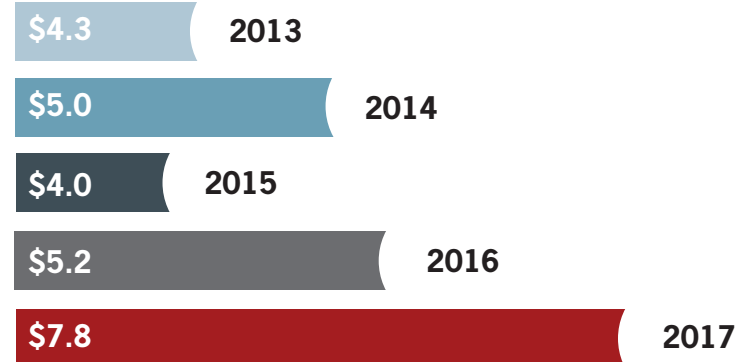
Propelling the Credit Union forward are the seven Board Members and two Associate Board Members who make up the volunteer Board of Directors. These individuals are integral to the Credit Union's success, freely giving their time to make certain that all operational decisions are made with members at top of mind. All Credit Union members themselves, the Board is deeply invested in ensuring that the service United Heritage provides is unsurpassed by any other financial institution. For the last four decades, our talented team has been enhanced by the presence of John T. Keller, who retired in 2017. We were fortunate to benefit from his leadership and knowledge.

We could not in good conscience look back on 2017 without mentioning our member-owners. Our success depends on you, and we extend to you our gratitude for choosing United Heritage for your financial needs. Selecting the right financial partner can be difficult, but you can rest assured that at United Heritage, we do and will continue to do everything we can to meet and exceed the expectations of all members – today and every day.

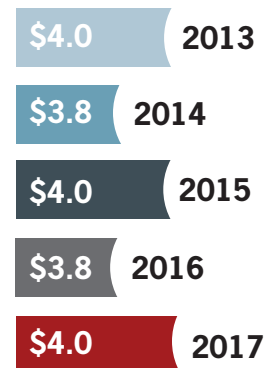




Net Income | Dollars in Millions



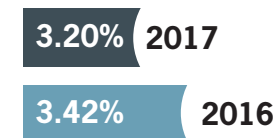
Dividends Paid | Dollars in Millions



Ratios | Reserves



Ratios | Fixed Asset



JAMES E. NORTH | SECRETARY AND TREASURER

TREASURER'S REPORT

United Heritage Credit Union welcomed progress and growth in 2017 as it once again completed the fiscal year in solid financial condition. Aided by a strong economy, United Heritage was able to eliminate operational inefficiencies, build upon its quality financial foundation and retain the support of its loyal membership base. In doing so, the Credit Union successfully maintained solid earnings, a quality loan portfolio and a good capital position in 2017.

Membership with United Heritage increased more than 5% to 62,001, up from 58,983 at 2016 year-end, as a record number of members entrusted their hard-earned funds to the Credit Union. Assets, too, increased to a record high, topping \$958 million at year-end 2017. The Credit Union's capital ratio was a whopping 9.10% at the end of the year, further solidifying the well-capitalized regulatory status that the Credit Union consistently achieves.

Annual totals cannot be analyzed without context when determining the Credit Union's effectiveness in meeting member needs, as they cannot tell the story of member satisfaction. The Credit Union prides itself upon consistently exceeding members' expectations as well as providing maximum value. It is because of

this that the Board of Directors and management team find assessing product and program usage in addition to member satisfaction levels an essential component in measuring the Credit Union's success.

In 2017, the Credit Union approved 10,702 member loans totaling more than \$343 million. The number of debit card transactions for the year reached almost 31 million, and many other services achieved similar usage levels indicative of success. For instance, UHCU Mobile App sign-ins climbed to an average of 271,550 per month. The Credit Union also continued its longstanding tradition of delivering a healthy return on member deposits by paying out more than \$4 million in dividends in 2017.

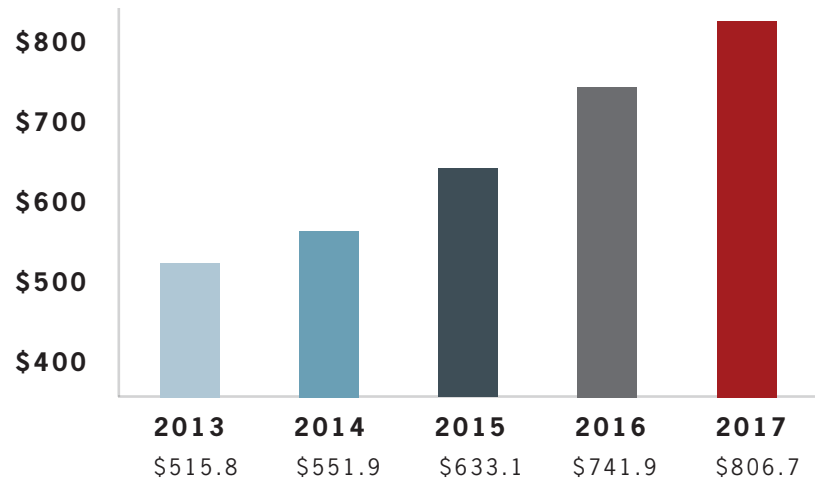
The Credit Union's sustained growth reflects its commitment to providing members with high-quality, personalized service and offering rates that are among the most attractive in the market. The year ahead is sure to be an exciting one. We look forward to providing continued stability for our member-owners as we continue to work tirelessly to further improve the Credit Union's financial standing.



EARLY OFFICE MUSEUM ARCHIVES, 1908



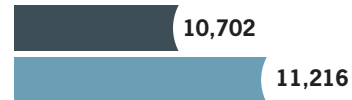
Total Loans | Dollars in Millions



Approved Loans Dollars in Millions



Approved Loans Number

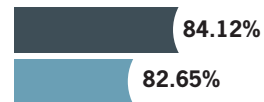


Ratios

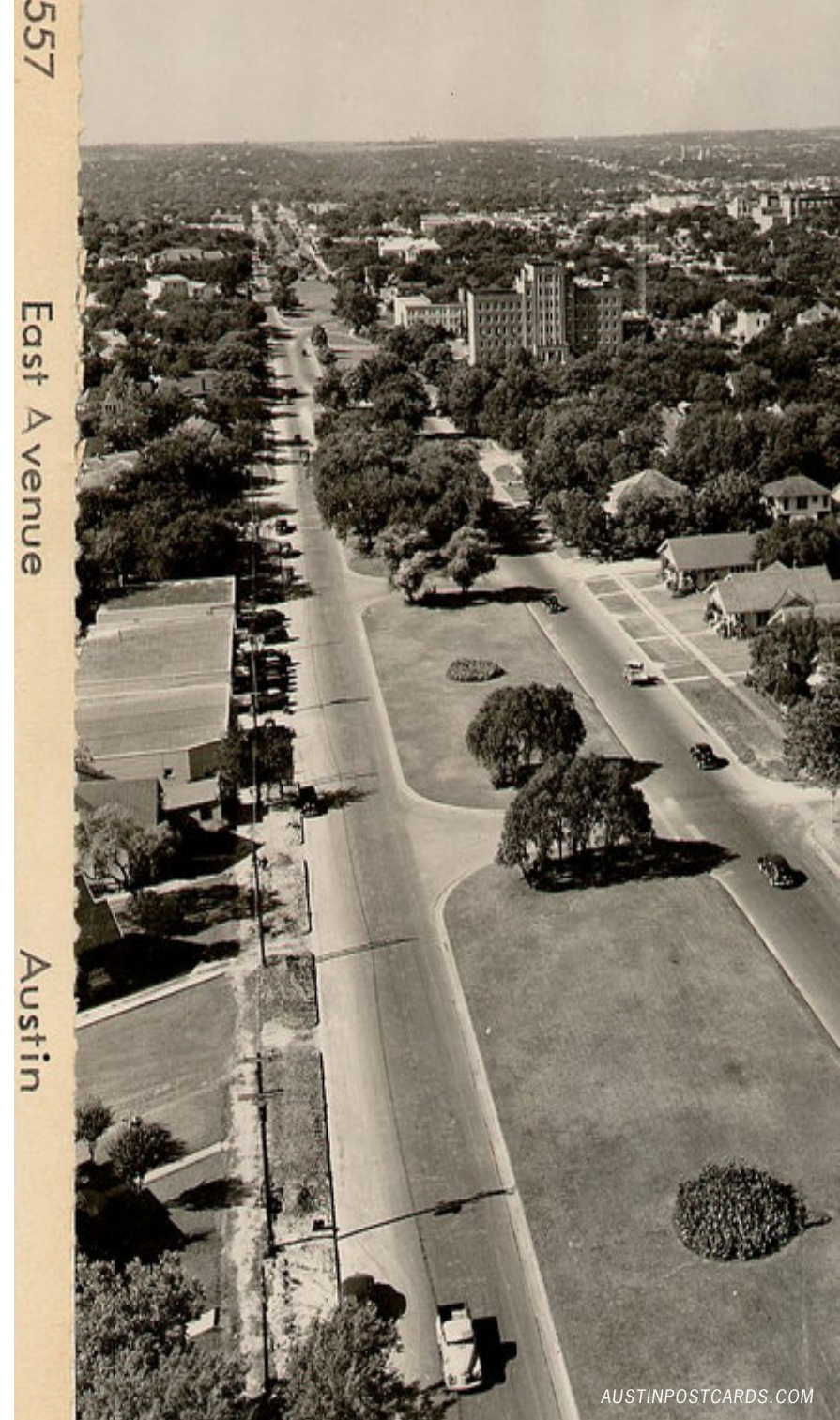
LOAN DELINQUENCY



LOAN TO ASSET



LOAN TO DEPOSIT



AUSTINPOSTCARDS.COM



HAROLD KEYES | CHAIRMAN

JAMES E. NORTH, RUSS MILLER | AUDIT COMMITTEE

AUDIT COMMITTEE REPORT

Each year, the Board Chairman appoints three Board of Director members to the Credit Union's Audit Committee. These three volunteers, selected for their aptitude and commitment to the Credit Union, fulfill a variety of imperative needs. They monitor regulatory supervisory processes, oversee audit functions and collaborate with the Risk Management Department to guarantee that strategic and operational goals are achieved.

CliftonLarsonAllen, LLP, an independent audit firm, performed the 2017 financial audit of United Heritage Credit Union and its subsidiaries in accordance with requirements set forth by the Texas Finance Code. The results of this in-depth external audit led to United Heritage Credit Union receiving an unqualified opinion on the consolidated financial statements as of December 31, 2017.

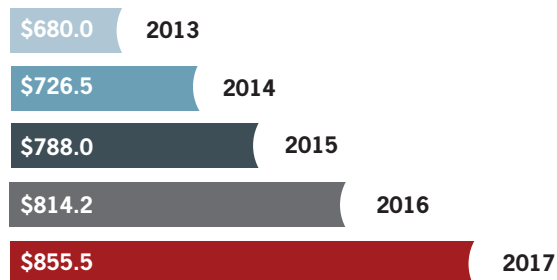
In order to meet state and federal regulatory requirements, United Heritage Credit Union was also examined by representatives of both the State of Texas Credit Union Department and the National Credit Union Administration in 2017. These yearly inspections help ensure the security of the Credit Union's

operations. The Audit Committee is delighted to report that – according to the joint findings of independent auditors, federal and state regulatory examiners, and financial and operational statements – United Heritage Credit Union is in excellent financial condition and management procedures are sufficient to protect the assets of the Credit Union's members.

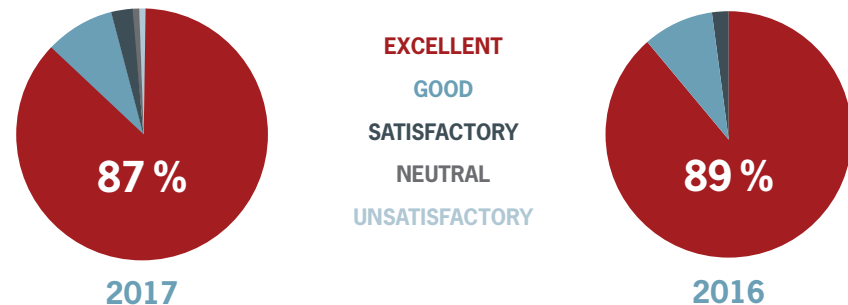
Collaborating with the Risk Management Department to monitor member satisfaction levels is another important responsibility of the Audit Committee. Member service is a top priority for United Heritage Credit Union, and the Credit Union's 99% favorable service rating in 2017 clearly demonstrates that member needs were sufficiently met.

A commitment to the mission and values of United Heritage Credit Union continues to drive the Audit Committee in all efforts. The Committee appreciates the constant support of United Heritage's 62,000-plus members as well as the opportunity to protect their hard-earned funds.

Total Share Deposits | Dollars in Millions



New Member Satisfaction



JOHN T. KELLER | RETIRED IN 2017

BOARD MEMBER RETIRES



Longtime United Heritage Credit Union Board Member John T. Keller retired in 2017 after nearly 40 years of service.

“John was a valued member of the United Heritage family for almost four decades,” United Heritage Credit Union Chairman May D. Lofgreen said. “We are so fortunate that he devoted his time and wisdom to make the Credit Union better, and we wish him all the best in his future endeavors.”

Mr. Keller, a 30-year veteran of the United States Air Force who retired in 1981 as a Chief Master Sergeant, was a member of the United Heritage Board of Directors since 1978 and has been a UHCU member since 1971. He served as Chairman of the Board in 1981, 1982, 1989, 1990 and 1991. In 2017, the Credit Union’s Kyle branch located at 5029 Kyle Center Drive was dedicated to Mr. Keller.

Mr. Keller graduated from The Credit Union Directors Leadership Institute, where he earned the prestigious designation of Certified Credit Union Director (CCD). His background includes a variety of supervisory, personnel management and financial positions, including two years attendance at McMurray University.

“We greatly appreciate all John did for this organization,” United Heritage Credit Union CEO Buddy Schroeder said. “He is certainly missed.”



2017 FINANCIAL REPORT



CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

ASSETS	2017	2016
Loans	\$806,656,457	\$741,924,314
Less Allowance for Loan Loss	(\$2,129,886)	(\$1,857,319)
Cash/Cash On Deposit	\$9,184,287	\$8,499,110
Investments	\$87,032,781	\$94,493,394
Fixed Assets	\$30,657,236	\$30,854,539
Share Insurance	\$8,020,056	\$7,712,848
Other Assets	\$19,485,356	\$16,057,760
Total Assets	\$958,906,287	\$897,684,646

LIABILITIES AND EQUITY	2017	2016
Accounts Payable	\$15,652,431	\$3,581,329
Dividends Payable	\$433	\$291
Other Liabilities	\$3,117,166	\$2,950,444
Member Deposits	\$855,485,677	\$814,215,362
Regular Reserves	\$11,471,964	\$11,471,964
Undivided Earnings	\$73,611,788	\$65,840,811
Unrealized Gain/Loss	(\$433,172)	(\$375,555)
Total Liability & Equity	\$958,906,287	\$897,684,646



CONSOLIDATED STATEMENTS OF INCOME

INCOME	2017	2016
Loans	\$27,755,395	\$25,231,479
Investments	\$2,090,774	\$2,067,052
Gain On Sale of Assets	\$ -	\$ -
Other	\$10,725,647	\$10,215,524
Gross Income	\$40,574,910	\$37,514,055

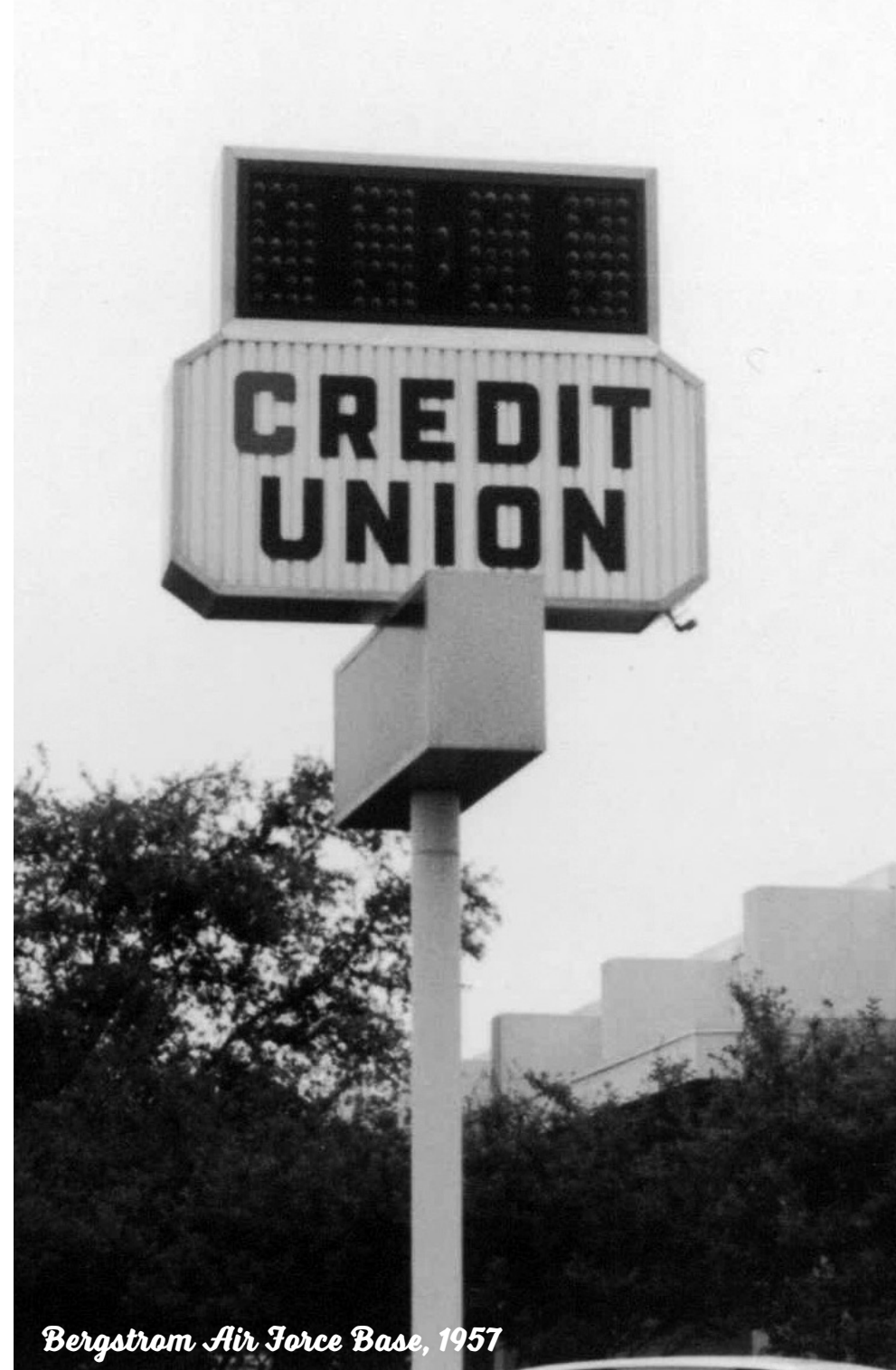
EXPENSES	2017	2016
Operating Expenses	\$11,340,981	\$14,482,259
Provision for Loan Loss	\$3,356,123	\$1,512,764
NCUA/NCUSIF Assessment	\$1,628,571	\$ -
Other General and Admin	\$12,470,748	\$12,496,605
Total Expenses	\$28,796,423	\$28,491,628

Income Before Dividends	\$11,778,487	\$9,022,427
Dividends Paid	\$4,007,510	\$3,843,644
Net Income	\$7,770,977	\$5,178,783

Members	62,001	58,983
----------------	---------------	---------------



Bergstrom Air Force Base, 1957



Bergstrom Air Force Base, 1957



2017 SERVICES REPORT

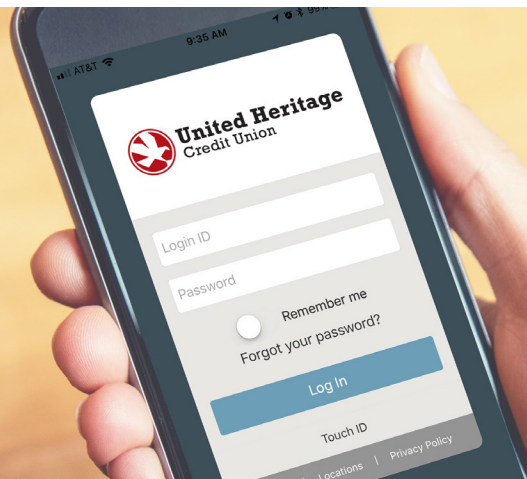
As members increasingly turn to technology to conduct banking transactions and find financial information, improving the digital experience remains a key strategic initiative for United Heritage Credit Union. In 2017, the Credit Union launched Pause Your Card, a feature that allows members to sign in to their UHCU Online Banking account to temporarily deactivate their UHCU VISA Debit Card if they need to locate it or order a new one. Pause Your Card is just one of many convenient services – like Mobile Check Deposit and Online Banking – that United Heritage offers.

The protection and security of members' personal information is a very serious matter for the Credit Union. This is why all UHCU VISA Debit Cards were upgraded to new EMV Chip Debit Cards with embedded microchips for more secure transactions in 2017. At point-of-sale when an EMV card is used on a machine with a microchip reader, a unique code for that transaction is generated. The unique code is used only once – for each transaction, a new code is generated – thus adding an extra layer of security for the cardholder.

Throughout the year, United Heritage members could visit the UHCU Security Center and blog to get information about safeguarding sensitive data as well as financial advice and community news. 2017 Security Center posts included guidance on what to do in the aftermath of the Equifax data breach and details on the discoveries of two security flaws known as Meltdown and Spectre. On the UHCU Blog in 2017, members could find information about buying a car, the Credit Union's 60th anniversary and more. Visit uhcu.org/securitycenter and uhcu.org/blog to read recent posts.

Another way United Heritage keeps members informed is through social media. The Credit Union utilizes Facebook, Twitter and Instagram, in addition to other social media channels. In 2017, social media followers increased nearly 15% from 10,835 at 2016 year-end to 12,450 at 2017 year-end. During the same time period, social media engagement increased more than 22%.

United Heritage remains committed to further enhancing digital services in 2018 and looks forward to the continued progress the year will bring.





Mobile Banking Sign-Ins



Online Banking Sign-Ins



Combined Total Sign-Ins



ATM & Debit Card Transactions



Member Checks Processed

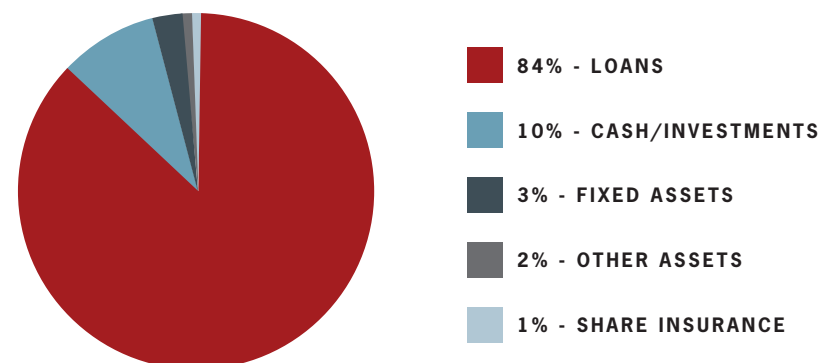


Shared Branching Transactions

2017	3,258,600	2,990,897	6,249,497	30,984,206	1,343,054	229,804
2016	2,310,070	3,728,697	6,038,767	29,168,415	1,424,089	181,827

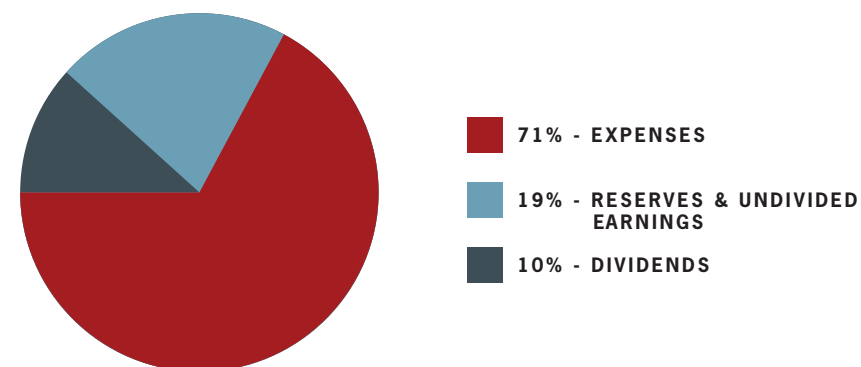
DISTRIBUTION OF ASSETS

Loans	\$804,526,571
Cash/Investments	\$96,217,068
Fixed Assets	\$30,657,236
Other Assets	\$19,485,356
Share Insurance	\$8,020,056
Total Assets	\$958,906,287



DISTRIBUTION OF INCOME

Expenses	\$28,796,423
Reserves & Undivided Earnings	\$7,770,977
Dividends	\$4,007,510
Gross Income	\$40,574,910



UNITED HERITAGE CHARITY FOUNDATION

MAY D. LOFGREEN | CHAIRMAN

JESSE LOFGREEN | VICE CHAIRMAN

HAROLD KEYES | SECRETARY/TREASURER

H. RALPH WILBURN, RUSS MILLER,

ROBERT W. SPURCK, JR.



In 2017, the United Heritage Charity Foundation continued its longstanding commitment to supporting deserving organizations that positively impact their communities. A self-funding and independent nonprofit, the Charity Foundation was founded in 2003 by United Heritage employees and volunteers who epitomize the credit union philosophy of “People Helping People.”

The United Heritage Charity Foundation’s largest fundraiser is the annual Auto Raffle. In 2011, the Charity Foundation held its inaugural Auto Raffle, raising \$39,989 to support local charities and organizations. With \$67,245 raised through 2017 Auto Raffle ticket sales, proceeds from the Auto Raffle now total \$404,150, and funds raised through ticket sales help facilitate the Charity Foundation’s charitable mission throughout the year. Patricia Chagoya was randomly selected as the winner of this year’s Auto Raffle and took home a 2017 Honda Civic LX Hatchback donated in part by Howdy Honda.

Also in 2017, the Charity Foundation awarded \$10,000 in scholarships to

college-bound high school seniors and donated another \$147,475 to local organizations. Since its inception, the Charity Foundation has distributed more than \$1.6 million to charitable causes in Central and East Texas.

Each of the seven members of the United Heritage Charity Foundation Board of Managers is exceptionally pleased with the Charity Foundation’s achievements in 2017 and will continue to provide key guidance to maintain the goals and objectives of the Charity Foundation. We’d also like to compliment Team United Heritage, a group of United Heritage Credit Union employee volunteers who give their time and energy to help others. Their commitment to philanthropic service is inspiring.

With the support of United Heritage Credit Union and the community, the United Heritage Charity Foundation maintains the objective of improving the lives of fellow Texans as it takes on 2018. Visit uhcf.org for more details.



United Heritage Community Scholarship

The Charity Foundation annually awards college scholarship funds to high school seniors who best exemplify the credit union philosophy of “People Helping People.” In Spring 2017, the United Heritage Community Scholarship Committee awarded Shelby Brainard and Spoorthi Kamepalli each with a \$5,000 scholarship. The two Austin-area high school seniors were selected based on their exceptional level of community service, impressive extracurricular activities and superior academic performance.



CHARITIES SUPPORTED IN 2017

93rd Bombardment
Group Association

African American Youth
Harvest Foundation

Alzheimer's Association

Alzheimer's Texas

American Red Cross
Hurricane Harvey Relief

Comfort Crew for Military Kids

Concordia University

Covering Home Initiative RR Express

CTFB HOPE Program

Cystic Fibrosis Foundation

Hospice Austin Camp Brave Heart

Joyful Horse Project

Junior Achievement - Tyler

Knights of Columbus Council 10209

Lake Travis Christmas Hope

Manos de Cristo

Onion Creek American Legion

Onion Creek Senior Citizens

Open Door Recovery

Senior Access

St. Edward's University

The Arc of the Capital Area

Therapy Pet Pals

United Mitochondrial Disease Foundation

Upbring

UT Austin - Division of Diversity
and Community Engagement



TEAM UNITED HERITAGE



Many United Heritage Credit Union employees find value in working to improve the Central and East Texas communities in which they live and work. It is this worthy objective that leads many to join Team United Heritage, a group of Credit Union employees that regularly volunteer their time and resources to support a variety of local charitable organizations.

In 2017, 53 Team United Heritage volunteers participated in 17 events across Central and East Texas. On top of that, they gave a total of 349 hours of their free time and raised \$8,152 in donations for local charities, like Keep Austin Beautiful and the Joyful Horse Project.

Year after year, Texas communities are enriched by the work of Team United Heritage. Members of the organization regularly embark on both individual and group philanthropic endeavors to ensure that Team United Heritage is continuously making a positive impact on the lives of locals.

ORGANIZATIONS SUPPORTED BY TEAM UNITED HERITAGE IN 2017

BookSpring Literacy Council

Cystic Fibrosis Foundation

Empty Bowl Project

Hospice Austin

Joyful Horse Project

Keep Austin Beautiful

Kids Matter International

Operation Gratitude

Partnerships for Children

Ronald McDonald House

SAFE | Stop Abuse for Everyone

Texas Kids Read

Williamson County Regional Animal Shelter



UNITED HERITAGE CREDIT UNION BRANCH LOCATIONS

CEDAR PARK

1801 E Whitestone Blvd (FM 1431),
Cedar Park 78613

GEORGETOWN

12 Waters Edge Cir, Georgetown 78626

KYLE

5029 Kyle Center Dr (S FM 1626), Kyle 78640

LAKEWAY

3317 S RR 620, Austin 78738

NORTH AUSTIN

12208 N Mopac Expy, Austin 78758

RIVER PLACE

10815 RR 2222, Austin 78730

ROUND ROCK

301 Mays Crossing Dr, Round Rock 78664

SOUTH AUSTIN

6400 Manchaca Rd, Austin 78745

SOUTHEAST AUSTIN

3 Drive-Thru Lanes at Austin Federal Credit Union
1900 Woodward St, Austin 78741

SOUTHWEST AUSTIN

5011 W Slaughter Ln, Austin 78749

TYLER

522 S Broadway Ave, Tyler 75702

WESTLAKE

2009 S Capital of Texas Hwy, Austin 78746

United Heritage members have access to a nationwide network of over 5,000 shared branches. For more information, visit uhcu.org/locations.





Member Appreciation, 2017



Westlake Branch, 2008



Bergstrom Air Force Base, 1957



1960s



Southwest Austin Branch, 2012



Round Rock Branch, 2004



Member Appreciation, 2017



United Heritage

Credit Union

512.435.4545 | 903.597.7484 | 800.531.2328

uhcu.org

Federally Insured by NCUA
Equal Housing Opportunity
NMLS #630601



United Heritage
Credit Union