ANNUAL REPORT 2021

2021 VIRTUAL ANNUAL MEETING | 5:00 P.M. THURSDAY, MAY 19TH 2022
WELCOME TO YOUR CREDIT UNION!
# ANNUAL MEETING AGENDA

<p>| | |</p>
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<tr>
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</thead>
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| 2 | Board of Directors | CEO Report  
Dr. Tyler Gayheart & Mr. David Kennedy |
| 3 | Financial Report - Ms. Vikki Parman |
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OUR MISSION
MEMBERS HELPING MEMBERS ACHIEVE FINANCIAL WELL-BEING.

OUR VISION
BUILDING FINANCIAL PARTNERSHIPS MEMBER BY MEMBER.
It is with great pleasure that we report to you that 2021 was another outstanding year of growth, performance, and community investment for the University of Kentucky Federal Credit Union! While COVID-19 related challenges were present well into the year, UKFCU continued to be a strong advocate for our members and their families, providing excellent products and services to help our members no matter what life brought their way. Just as we’ve been doing since our founding in 1937, we partnered with our members in bettering their financial lives, as well as the community we live in. That’s the UKFCU way. Each day we live our mission of “People helping people achieve financial well-being” by meeting you where you are. Our goal is to not only deliver the products and services you need today, but to anticipate the needs you will have throughout all of the seasons in your life and be there with affordable solutions you can access through a variety of channels.

Early in 2021, UKFCU felt the impact of another round of stimulus payments and saw both our deposits and total assets grow rapidly. Member deposits on-hand at the end of 2021 totaled more than $1.09 billion. That deposit growth fueled strong growth in total assets, which finished the year just over $1.25 billion. At UKFCU, growth for growth’s sake is never the goal. Growth is the byproduct of providing exceptional value to the membership, while maintaining a healthy, vibrant financial cooperative.

As member-owners, you participate in the success of our cooperative. You are the beneficiaries of a Credit Union that is doing well, rather than at a bank where the stockholders are the beneficiaries ahead of the customers. You enjoy both excellent rates and lower fees on the services you use, as well as having equal voting power in determining who serves on our board of directors. It’s a fantastic ownership concept and one that picks up momentum over time. As evidence of that momentum, consider this: Fifteen years ago, as an already successful Credit Union, we still felt we could do so much more for our members and our community. The board of directors set a vision and adopted a strategic plan to do just that. What we’ve seen since has been an overwhelmingly positive response from our members. So much so that of our total assets of $1.25 billion, more than 81% of that amount has been added in the last fifteen years.

Often when we hear stories about the rapid growth of a company or industry, we can’t help but wonder if there is safety and stability. UKFCU is extremely strong and healthy, with a net worth ratio of more than 10.2%. Net worth, also called capital, is what every financial institution needs to maintain to protect the members and the institution in difficult economic times, such as a recession. The National Credit Union Administration (NCUA) requires all credit unions to maintain a 7% net worth ratio in order to be considered “well-capitalized.” At 10.2%, UKFCU’s net worth ratio is considerably above the well-capitalized threshold.

The best part about the credit union structure is that it’s a cooperative. We’re a community of members. At no time in recent memory have we seen that in action more than in 2021. Devastating tornadoes ripped through western Kentucky at a time when most Americans were enjoying the holiday season. Seemingly overnight, a tragic natural disaster replaced holiday planning for so many in our state. It was during this time that the cooperative spirit of UKFCU’s membership came to the forefront. Our board of directors...
immediately approved a $25,000 donation to aid tornado victims, as well as an additional $45,000 in matching funds for any donations made from UKFCU’s members. Within a few days, donations poured in. By the end of the fundraising effort, the UKFCU family was responsible for donations in excess of $141,000 to the American Red Cross, specifically designated to provide relief to those impacted by the tornadoes in Kentucky. We can't thank you enough for your generosity and compassion towards those in need! UKFCU is proud to serve and support such a wonderful group of people!

This is a great time to be at UKFCU! It’s exciting to think about and plan for the years ahead. The impact of technology and innovation in the financial services arena has been astounding in the past decade. That trend will continue, almost certainly at a faster pace than we’ve seen up to this point. There are promising developments in the digital space, particularly in the area of payments. These developments will increase the speed at which members can transact business while providing even greater security. UKFCU promises to be on the leading edge of that but, just as importantly, only offers the membership technology that is proven, safe, and secure. In addition to technology, UKFCU plans to expand our branch network in the coming years to make your credit union even more convenient, whether that’s close to where you work or close to your home. Our latest branch at the corner of South Broadway and Oliver Lewis is on track to open in September 2022.

In closing, we want to thank each and every member for your business, your trust, and your belief in what a credit union stands for. UKFCU is a “not-for-profit” financial cooperative. We exist only to serve you, and we are looking forward to another excellent year in 2022!

Sincerely,

TYLER GAYHEART
Chair of the Board

DAVID KENNEDY
President | CEO

“
At UKFCU, growth for growth’s sake is never the goal. Growth is the byproduct of providing exceptional value to the membership, while maintaining a healthy, vibrant financial cooperative.
”
CALL TO ORDER
Dr. Gayheart, Chairperson of the Board, called the meeting to order and welcomed all in attendance. Dr. Gayheart ascertained, per a Board Member, that there was a quorum at the meeting. Duly noted.

Approval of the 2020 Minutes
The minutes were provided to those in attendance as part of the annual report. There were no corrections or additions. A motion was made by a member to accept the minutes. A member seconded the motion. There was no discussion. All were in favor. None opposed. Motion carried.

BOARD OF DIRECTORS’ REPORT
Dr. Gayheart provided a report on 2020 on behalf of the Board of Directors. He stated that 2020 had been an outstanding year at UKFCU, and that it continues to be an exciting time at the Credit Union.

Dr. Gayheart remarked that COVID-19 impacted every member and staff person at the Credit Union. The Credit Union supported members by providing skip-a-pay opportunities. Over 200 small business members had PPP loans facilitated. As part of the Restaurant Challenge the Credit Union purchased $50,000 in meals from local restaurants, and provided lunch daily for employees for six weeks. The branch experience was adjusted to meet member needs and keep employees safe.

Dr. Gayheart thanked members for continuing to do business with the Credit Union, thanked employees for their hard work, and volunteers for their dedication to the Credit Union.

Dr. Gayheart introduced Mr. David Kennedy, President/CEO of UKFCU.

PRESIDENT/CEO’S REPORT
Mr. Kennedy welcomed all to the virtual meeting. He remarked that while 2020 was a challenging year for all, it feels like we are starting to emerge from the pandemic. He commented that the pandemic saw people unite and unbelievable work by our first responders and the medical community across the country.

UKFCU saw the biggest asset growth in its history. Total assets finished the year at $1.135 billion. Return on Assets again finished in the top tier of credit unions in the country. The strong ROA enabled the Credit Union to provide members with excellent rates on deposits and loans. In addition the Credit Union maintained a net worth ratio well beyond what the NCUA requires to be considered well-capitalized.

Balanced growth continues to be a focus. In April 2007 the Credit Union had $227M in total assets. Fourteen years later, UKFCU is five times that size. Deposits from members and loans to members have grown at the same pace, which was critical to the success of UKFCU. There are currently 5,000 credit unions in the country, down from 8,300 in 2007. UKFCU is one of the top 350 largest credit unions in the country.

Mr. Kennedy stated that the Credit Union remains committed to digital access and face-to-face member interaction. A new branch will open in downtown Lexington, at the corner of Broadway and Oliver Lewis, in early 2022, and the Credit Union continues to plan to open more locations in the next several years, possibly in some neighboring communities.

Mr. Kennedy provided remarks on Credit Union efforts to educate youth on the wise use of credit and importance of low interest rates. Credit Unions uniquely return earnings to members through excellent rates, rather than providing earnings to stockholders. Savings, money markets, and share certificates are paying anywhere between double and 10 times what a typical bank pays in annual percentage yield on the same products. There is a 1% cash back rebate with auto loan refinancing. Home Equity Lines of Credit offer members the potential to borrow up to 100% of a home’s equity, with an interest rate floor of 3% and interest-only payment options. These programs, in addition to the opportunities to meet with Investment and Financial Planning representatives, set the Credit Union apart from other financial institutions.

Mr. Kennedy welcomed Dr. Gayheart back to the stage. He thanked Mr. Kennedy for his report and invited Treasurer Vikki Parman to make her remarks.
TREASURER’S REPORT

Financial reports were provided to all attendees as part of the Annual Report.

Ms. Vikki Parman stated that in 2020 the Credit Union maintained its position of financial strength. Assets crossed the $1 Billion mark for the first time. She reviewed share balances, loan growth, and member equity. She reported that UKFCU is considered a well-capitalized credit union by the NCUA.

Ms. Parman welcomed Dr. Gayheart back to the podium. He thanked the Treasurer and Finance Committee. Dr. Gayheart introduced Supervisory Audit Committee Chairperson, Jason Conley.

SUPERVISORY AUDIT COMMITTEE’S REPORT

Mr. Conley provided a report on behalf of the Supervisory Audit Committee. He stated that the Credit Union continued to be financially strong and stable, even with the unprecedented events of 2020. He reported that our industry regulator, NCUA, confirmed this during their 2020 examination, indicating that the Credit Union is financially sound and responsibly managed.

Dr. Gayheart thanked the Supervisory Committee for their report.

OLD BUSINESS

None

NEW BUSINESS

Mr. Kennedy answered questions previously submitted:

What specific means has the board taken to stay out of the red following the pandemic in 2020 through 2021?

Mr. Kennedy: In 2008 the Board adopted a strategy to keep member deposits invested in loans to other members. This, in conjunction with rigorous control of expenses, led to strong performance in the 2008/2009 economic downturn. This also means that UKFCU entered the pandemic with a high capital ratio and strong earnings, providing a cushion to withstand the economic challenge. This strategy, implemented in 2008, meant UKFCU could continue to operate through the pandemic without worries about going into the red.

What areas of Lexington or beyond are you hoping to expand to next?

Mr. Kennedy: There is of course a new branch at Broadway and Oliver Lewis, and there may be opportunities in surrounding communities in the coming years.

As an account holder, how can we be helpful in the Credit Union’s success?

Mr. Kennedy: This is an excellent question. The Credit Union is a cooperative and the best way that a member can help the Credit Union is to use the products offered. Credit cards, direct deposit, savings accounts, and checking accounts are all opportunities to help the Credit Union. By using these services members benefit from excellent rates, and also help to fund loans to members in their prime borrowing years of 18-60. This is an example of how the cooperative model works – the loan products generate interest income, and this income covers operating expenses, provides a capital cushion for the Credit Union, and is returned to members through excellent loan rates. If all 95,000 members used UKFCU as their primary financial institution the amount of revenue that would be generated and returned to the membership is unbelievable, and rates would continue to improve.

GOVERNANCE COMMITTEE’S REPORT

Dr. Gayheart introduced Angie Lang, Chair of the Governance Committee. The Governance Committee is charged annually to nominate one candidate for each vacancy on the Board of Directors. Each Board of Director appointment is for a three-year term. The Governance Committee placed into nomination the following candidates to serve on the Board of Directors:

Stephen Burr  
Director of Enterprise Systems  
University of Kentucky

Gail Carbol  
Human Resources Benefits Manager  
University of Kentucky

Cleophus Price  
Assistant Dean, Office of Graduate Academic Services  
University of Kentucky

No nominations from the floor were taken at the annual meeting since the number of nominees equals the number of positions to be filled.

Dr. Gayheart thanked the Committee for their work. He again thanked members who choose to bank at UKFCU, staff who serve the members, and the volunteers who dedicate their time to the Credit Union.

Dr. Gayheart called for a motion to adjourn. A member made a motion to adjourn. Another member seconded. All in favor. None opposed. Motion carried.
In 2021, the University of Kentucky Federal Credit Union (UKFCU) continued its focus on providing outstanding service and market-leading products. The Credit Union maintained its position of financial strength while offering some of the best rates for loans, competitive rates on deposits, and innovative approaches to making our services convenient for members. Credit Union leadership continues to work together to ensure UKFCU remains financially healthy, efficient, and ready to serve your financial needs.

KEY FINANCIAL INFORMATION:

- **Members continued to demonstrate their confidence in the financial strength and security of UKFCU in 2021.** Total shares grew by nearly $105 million in 2021, about 10.5%. Share balances crossed the $1 billion mark, totaling $1.09 billion as of December 31, 2021. Membership as of December 31, 2021, totaled 97,635.

- **Net loans grew by $121 million, or 14.27%,** as members responded favorably to the Credit Union’s loan pricing and service during 2021. Growth in home equity loans, auto lending, and member business loans helped UKFCU realize these robust loan numbers. As of December 31, 2021, the total outstanding net loans were $968.7 million.

- **Total past-due loans were 0.30% of total loans as of December 31, 2021,** compared to our NCUA peer average of 0.39%. The Credit Union maintains a substantial position in low-risk, NCUA-approved investments.

- **Assets grew by $116.6 million, or 10.24%,** and ended 2021 at $1.25 billion. **Member Equity increased to $128 million.** UKFCU ended the year with a net worth ratio of 10.22%, which is above the 7% standard to be considered a “well-capitalized” credit union by the NCUA.

- **Net income in 2021 was $11.03 million, compared to $8.67 million in 2020.** The return on assets for 2021 was 0.92% compared to 0.82% for 2020.

The University of Kentucky Federal Credit Union continues to be a solid financial institution, and 2021 was another great year. Thanks to the UKFCU management team, staff, Board Members, and Supervisory Committee members for their commitment to a strong set of core values and another successful year. Most of all, thanks to you, our loyal members. We remain committed to serving your financial needs with our **Members Helping Members** approach!

Respectfully Submitted,

Vikki Parman, Treasurer
One of the primary functions of the Supervisory Audit Committee is the financial oversight of the credit union. In order to fulfill this duty for UKFCU, the committee examines and reviews the information from various auditing sources.

In addition to the work performed by UKFCU’s Internal Auditor, the Supervisory Audit Committee contracted with the firm of Elliott Davis to perform and/or provide guidance on multiple internal audits and make recommendations about daily Credit Union operations. These audits are targeted to areas of greatest risk within the Credit Union as determined by a risk assessment. During 2021, several areas were reviewed and reported upon by Elliott Davis and the Credit Union’s Internal Auditor. Additionally, UKFCU’s Internal Auditor performed follow-up audits to ensure management has made agreed-upon corrections. These reports addressed the results of audits conducted in the areas of:

- Accounting, Investments, and Call Reporting
- Allowance for Loan Losses and Credit Administration
- Asset Liability Management
- Automated Clearing House (ACH) Operations
- Bank Secrecy Act and Anti-Money Laundering Compliance
- Branch Operations and Surprise Cash Counts
- Deposit Compliance
- Foreclosed Property, Repossessions, and Collections
- Human Resources and Payroll
- Indirect Lending Analysis
- Information Technology Internal Controls Documentation and Testing
- Cybersecurity
- Loan Regulatory Compliance
- Privacy
- Social Media and Website Review
- Wire Transfers

The National Credit Union Administration (NCUA) examines UKFCU regularly as required by federal regulations. NCUA reviews the quality of investments, loan management practices, adequacy of reserves and liquidity, controls on in-house expenses, and capital growth. Our last NCUA examination was completed in November of 2021. In addition to the annual examination, NCUA also performed a Fair Lending Supervision Contact to ensure UKFCU is in compliance with fair lending laws and regulations. The contact was completed in June of 2021.

Excess Share Insurance Corporation (ESI) provides UKFCU members an additional $100,000 of protection on deposit accounts with balances in excess of $250,000. In September of 2021, ESI performed an excess share review for the purpose of evaluating the accuracy of the Credit Union’s excess share reporting.

The Accounting and Advisory Services firm of BKD, LLP conducted a comprehensive annual financial audit for the year ended December 31, 2021. An annual audit is performed to examine the financial statements of the Credit Union to determine if they are accurate and reflect the true financial condition of the institution. BKD issued a clean, unqualified opinion for the year ended December 31, 2021.

These audits and assessments serve to ensure that the assets of UKFCU members are efficiently managed and protected. The Supervisory Audit Committee will continue to review all audit reports and work with management to ensure our members will be provided the best possible service. All information indicates that UKFCU is in sound financial condition and is being managed responsibly.

Respectfully submitted,

Supervisory Committee
Dr. Michael Clark, Chair
Mattie Ison-Bowman
Rocky DeToma
Todd G. Allen
Tonya Prince

4.27.2021 GROUND BREAKING CEREMONY
FALL 2022
NEW BRANCH AT OLIVER LEWIS WAY & SOUTH BROADWAY
Dear UKFCU Members:

A Message from the Governance Committee

Thank you for your interest in the University of Kentucky Federal Credit Union and the 2022 annual election of the Board of Directors. Each year we elect members to the Board of Directors. As directed by the Credit Union’s By-Laws, the Governance Committee has fulfilled its charge by nominating a candidate for each vacancy. The 2022 Board Nominees are:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>TYLER GAYHEART</td>
<td>EXECUTIVE DIRECTOR, ENTERPRISE SALESFORCE &amp; DIGITAL ENGAGEMENT UNIVERSITY OF KENTUCKY</td>
</tr>
<tr>
<td>ANGELA LANG</td>
<td>CHIEF EXPERIENCE &amp; OPERATIONS OFFICER UK HEALTHCARE</td>
</tr>
<tr>
<td>VIKKI PARMAN</td>
<td>ASSISTANT VICE PRESIDENT OF BUSINESS SERVICES/COO KCTCS</td>
</tr>
</tbody>
</table>

These nominees will fill the upcoming Board seats at the next annual meeting. No nominations from the floor will be taken at the annual meeting when the number of nominees equals the number of positions to be filled. Should a member wish to inquire about volunteer opportunities, more information may be found by clicking here.

Sincerely,
Governance Committee
Glenn Blomquist
Steven Burr
Gail Carbol
Jason Conley
Miriam Fordham
Angie Lang

2021 COMMITTEES

FINANCE COMMITTEE | 2021
VIKKI PARMAN, CHAIR
GLENN BLOMQUIST
CLEO PRICE

GOVERNANCE COMMITTEE | 2021
GAIL CARBOL, CHAIR
ANGIE LANG
MIRIAM FORDHAM
STEPHEN BURR
JASON CONLEY
TYLER GAYHEART, EX-OFFICIO

SUPERVISORY AUDIT COMMITTEE
MICHAEL CLARK, CHAIR
JOHN "ROCKY" DETOMA, VOTING MEMBER
MATTIE ISON-BOWMAN, VOTING MEMBER
TONYA PRINCE, VOTING MEMBER
TODD G. ALLEN, VOTING MEMBER
DAVID KENNEDY, EX-OFFICIO
TYLER GAYHEART, EX-OFFICIO

The Board determines the number of members on a committee, which may not be fewer than 3 nor more than 5. (Bylaws rev. November 2008).
2021 BOARD OF DIRECTORS

TYLER GAYHEART
CHAIR OF THE BOARD

GAIL G. CARBOL
VICE CHAIR OF THE BOARD

VIKKI PARMAN
TREASURER

CLEOPHUS V. PRICE
SECRETARY

ANGIE LANG
DIRECTOR

GLENN BLOMQUIST
DIRECTOR

STEPHEN BURR
DIRECTOR

MIRIAM FORDHAM
DIRECTOR

JASON CONLEY
DIRECTOR

University of Kentucky Federal Credit Union
## CONSOLIDATED BALANCE SHEET

**As of December 31**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and due from banks</td>
<td>$6,758,403</td>
<td>$6,455,602</td>
<td>$8,556,642</td>
</tr>
<tr>
<td>Interest-bearing demand deposits</td>
<td>$98,211,487</td>
<td>$174,670,175</td>
<td>$171,140,487</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$104,969,890</td>
<td>$181,125,777</td>
<td>$179,697,129</td>
</tr>
<tr>
<td>Interest-bearing time deposits</td>
<td>$3,226,000</td>
<td>$1,984,000</td>
<td>$1,984,000</td>
</tr>
<tr>
<td>Available-for-sale securities</td>
<td>$39,546,202</td>
<td>$28,422,589</td>
<td>$22,903,767</td>
</tr>
<tr>
<td>Held-to-maturity securities</td>
<td>$1,930,143</td>
<td>$1,245,717</td>
<td>$706,413</td>
</tr>
<tr>
<td>Nonmarketable equity securities</td>
<td>$1,815,596</td>
<td>$1,886,847</td>
<td>$1,903,380</td>
</tr>
<tr>
<td>Federal Home Loan Bank Stock</td>
<td>$2,043,500</td>
<td>$2,225,400</td>
<td>$2,225,400</td>
</tr>
<tr>
<td>Loans held for sale</td>
<td>$398,263</td>
<td>$687,590</td>
<td>$1,479,500</td>
</tr>
<tr>
<td>Loans to members, net of allowance for loan loss</td>
<td>$760,647,525</td>
<td>$847,694,032</td>
<td>$968,680,377</td>
</tr>
<tr>
<td>Company owned life insurance</td>
<td>$6,401,534</td>
<td>$5,238,548</td>
<td>$5,389,971</td>
</tr>
<tr>
<td>Premises and equipment</td>
<td>$32,128,789</td>
<td>$30,821,813</td>
<td>$30,587,351</td>
</tr>
<tr>
<td>National Credit Union Share Insurance Fund deposit</td>
<td>$7,280,662</td>
<td>$8,583,443</td>
<td>$9,524,915</td>
</tr>
<tr>
<td>Foreclosed assets held for sale, net</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>$3,342,933</td>
<td>$3,458,023</td>
<td>$3,543,771</td>
</tr>
<tr>
<td>Other Assets</td>
<td>$16,821,966</td>
<td>$25,156,012</td>
<td>$26,470,470</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$980,553,003</strong></td>
<td><strong>$1,138,529,791</strong></td>
<td><strong>$1,255,096,444</strong></td>
</tr>
<tr>
<td><strong>Liabilities and Members’ Equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members’ share, savings and certificate accounts</td>
<td>$840,900,756</td>
<td>$991,506,403</td>
<td>$1,096,337,542</td>
</tr>
<tr>
<td>Federal Home Loan Bank advances</td>
<td>$18,000,000</td>
<td>$15,000,000</td>
<td>$15,000,000</td>
</tr>
<tr>
<td>Interest payable</td>
<td>$3,921,280</td>
<td>$3,486,325</td>
<td>$2,425,732</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$9,373,610</td>
<td>$11,208,930</td>
<td>$13,476,501</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$872,195,646</strong></td>
<td><strong>$1,021,201,658</strong></td>
<td><strong>$1,127,239,775</strong></td>
</tr>
<tr>
<td><strong>Members’ Equity:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regular Reserves</td>
<td>$2,973,142</td>
<td>$2,973,142</td>
<td>$2,973,142</td>
</tr>
<tr>
<td>Undivided Earnings</td>
<td>$105,238,736</td>
<td>$113,917,618</td>
<td>$124,953,805</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>$145,479</td>
<td>$437,373</td>
<td>$(70,278)</td>
</tr>
<tr>
<td><strong>Total Members’ Equity</strong></td>
<td><strong>$108,357,357</strong></td>
<td><strong>$117,328,133</strong></td>
<td><strong>$127,856,669</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities, Savings and Equity</strong></td>
<td><strong>$980,553,003</strong></td>
<td><strong>$1,138,529,791</strong></td>
<td><strong>$1,255,096,444</strong></td>
</tr>
</tbody>
</table>

As member-owners, you participate in the success of our cooperative. You are the beneficiaries of a Credit Union that is doing well, rather than at a bank where the stockholders are the beneficiaries ahead of the customers.
### CONSOLIDATED INCOME AND EXPENSE STATEMENT

<table>
<thead>
<tr>
<th>As of December 31</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans to members</td>
<td>$44,650,245</td>
<td>$45,079,213</td>
<td>$46,607,010</td>
</tr>
<tr>
<td>Investments</td>
<td>$649,335</td>
<td>$719,520</td>
<td>$423,245</td>
</tr>
<tr>
<td>Other interest and dividend income</td>
<td>$2,720,694</td>
<td>$1,114,385</td>
<td>$1,769,458</td>
</tr>
<tr>
<td><strong>Total Interest Income</strong></td>
<td>$48,020,274</td>
<td>$46,913,118</td>
<td>$48,799,713</td>
</tr>
<tr>
<td><strong>Interest Expense</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members share and savings accounts</td>
<td>$10,218,372</td>
<td>$10,232,394</td>
<td>$7,535,309</td>
</tr>
<tr>
<td>Federal Home Loan Bank advances</td>
<td>$534,200</td>
<td>$520,024</td>
<td>$440,203</td>
</tr>
<tr>
<td>Other interest expense</td>
<td>$10</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Interest Expense</strong></td>
<td>$10,752,582</td>
<td>$10,752,418</td>
<td>$7,975,512</td>
</tr>
<tr>
<td><strong>Net Interest Income</strong></td>
<td>$37,267,692</td>
<td>$36,160,700</td>
<td>$40,824,201</td>
</tr>
<tr>
<td><strong>Provision for Loan Loss</strong></td>
<td>$4,992,778</td>
<td>$4,242,859</td>
<td>$2,243,165</td>
</tr>
<tr>
<td><strong>Net Interest Income After Provision for Loan Losses</strong></td>
<td>$32,274,914</td>
<td>$31,917,841</td>
<td>$38,581,036</td>
</tr>
<tr>
<td><strong>Noninterest Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer service fees</td>
<td>$3,710,402</td>
<td>$2,663,171</td>
<td>$2,964,400</td>
</tr>
<tr>
<td>Other services charges and fees</td>
<td>$5,104,497</td>
<td>$5,307,492</td>
<td>$6,396,994</td>
</tr>
<tr>
<td>Net (loss) gain on disposal of premises and equipment</td>
<td>$(185)</td>
<td>$(3,792)</td>
<td>$2,534</td>
</tr>
<tr>
<td>Net realized gain on sale of loans</td>
<td>$ -</td>
<td>$131,891</td>
<td>$109,669</td>
</tr>
<tr>
<td>Loss on foreclosed assets, net</td>
<td>$(11,348)</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Other</td>
<td>$2,322,029</td>
<td>$4,054,782</td>
<td>$3,703,259</td>
</tr>
<tr>
<td><strong>Total Noninterest Income</strong></td>
<td>$11,125,395</td>
<td>$12,153,544</td>
<td>$13,178,856</td>
</tr>
<tr>
<td><strong>Noninterest Expense</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and employee benefits</td>
<td>$16,139,514</td>
<td>$18,292,585</td>
<td>$22,118,709</td>
</tr>
<tr>
<td>Net occupancy and equipment expense</td>
<td>$5,784,576</td>
<td>$6,019,600</td>
<td>$6,485,553</td>
</tr>
<tr>
<td>Professional fees</td>
<td>$1,444,876</td>
<td>$1,698,553</td>
<td>$2,151,314</td>
</tr>
<tr>
<td>Data processing fees</td>
<td>$2,118,779</td>
<td>$2,055,115</td>
<td>$2,010,028</td>
</tr>
<tr>
<td>Marketing expense</td>
<td>$2,486,910</td>
<td>$2,783,296</td>
<td>$2,886,566</td>
</tr>
<tr>
<td>Printing and office supplies</td>
<td>$832,494</td>
<td>$875,306</td>
<td>$784,854</td>
</tr>
<tr>
<td>Other</td>
<td>$3,658,271</td>
<td>$3,668,048</td>
<td>$4,286,681</td>
</tr>
<tr>
<td><strong>Total Noninterest Expense</strong></td>
<td>$32,465,420</td>
<td>$35,392,503</td>
<td>$40,723,705</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$10,934,889</td>
<td>$8,678,882</td>
<td>$11,036,187</td>
</tr>
<tr>
<td><strong>Other Comprehensive Loss</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net unrealized appreciation on available-for-sale securities</td>
<td>$317,408</td>
<td>$291,894</td>
<td>$(507,651)</td>
</tr>
<tr>
<td>Less reclassification adjustment for realized gains included in net income</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td><strong>Total Other Comprehensive Loss</strong></td>
<td>$317,408</td>
<td>$291,894</td>
<td>$(507,651)</td>
</tr>
<tr>
<td><strong>Comprehensive Income</strong></td>
<td>$11,252,297</td>
<td>$8,970,776</td>
<td>$10,528,536</td>
</tr>
</tbody>
</table>
UKFCU COMMUNITY
SUPPORTING OUR NEIGHBORS

UKFCU’S MISSION HAS ALWAYS BEEN TO SERVE THE FINANCIAL NEEDS OF OUR MEMBERS. IT IS WITH THIS SAME GREAT SPIRIT WE STRIVE TO IMPROVE THE QUALITY OF LIFE IN THE COMMUNITIES WE SERVE. WE GIVE BACK BY VOLUNTEERING TIME AND DONATING FUNDS TO SUPPORT LOCAL SCHOOLS, ORGANIZATIONS AND CHARITIES TO HELP OUR COMMUNITIES THRIVE.

UKFCU HAS PARTICIPATED IN AND SUPPORTED THE FOLLOWING ORGANIZATIONS AND CHARITABLE EVENTS IN OUR COMMUNITIES

American Heart Association
Believing in Forever, Inc.
Best Places to Work - KY Chamber of Commerce
Bluegrass Community Foundation
Bright Focus Foundation
Builders’ Exchange Keeneland Event
DanceBlue
Fayette Shop with a Cop
Family Neighborhood Safety Picnic
Greenhouse 17
Hope Center
Habitat for Humanity
Junior Achievement
Keeneland Scholarship
Kentucky Nonprofit Network
LexArts, Inc.
Lexington Legends Ticket Give-a-Ways to Members
Lyric Theatre – Back to School
Makenna David Pediatric ER Concert Series
Mission 108
On the Move Art Studio
OWL Golf Scramble Sponsor
Radio Eye
SEG Scholarship Program
Scholar Connect - UKFCU Program
Scott Co Youth Baseball Boosters
SHRM – Scholarship
SHRM Kentucky Conference Sponsor
SLYB Baseball
Step by Step
Sweet Blessings
Thanksgiving Baskets
The Aruna Project
UK College of Ag Alumni Association
UK College of Dentistry Alumni
UK Children’s Hospital
UKFCU Internal Food Drive
UKFCU Tornado Relief
Veteran’s Park Elementary Back to School
Voices of Hope
Women Leading KY - Conference Sponsor
Women Leading KY - Executive Forum
WWBNA
YMCA Young Black Achievers Scholarship
When it comes to your lifetime investments, you want to rely on someone you can have confidence in. UKFCU investment services through CUSO Financial Services, L.P.* help you make the most of your investments so you can live life to the fullest when it matters. The CUSO Financial Services investment representatives will work with you to choose personalized investment products to meet your goals. Our investment representatives work to bring you a full range of investment products and quality investment services.

UKFCU INVESTMENT SERVICE BENEFITS THROUGH CFS INCLUDE:

- Advisory investment accounts
- Financial planning
- Investment strategy
- Pre- and post-retirement planning
- Portfolio reviews, analysis, and assessments
- Long-term care insurance
- 403(b) and 401(k) guidance and management
- Corporate retirement plans for small and medium businesses

An investment representative is available at all of our UKFCU Branch locations and ready to assist you as you plan a road map for your future. Schedule a complimentary financial review with one of our knowledgeable representatives today.

*Non-deposit investment products and services are offered through CUSO Financial Services, L.P. (“CFS”), a registered broker-dealer (Member FINRA/SIPC) and SEC Registered Investment Advisor. Products offered through CFS are not NCUA/NCUSIF or otherwise federally insured, are not guarantees or obligations of the credit union, and may involve investment risk including possible loss of principal. Investment Representatives are registered through CFS. UKFCU has contracted with CFS to make non-deposit investment products and services to credit union members.
Welcome to better banking

2021 VIRTUAL ANNUAL MEETING | 5:00 P.M. THURSDAY, MAY 19TH 2022