

2013 ANNUAL REPORT



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Chairman's Report

2013 was another successful year of operation for America's First. Having completed our 77th year of service, the credit union stands strong both financially and operationally, now serving nearly 124,000 members. Our value-based products and services delivered by a highly motivated and dedicated staff continue to meet the needs of existing members as well as new members discovering the credit union difference for the first time.



Board of Directors (Top row, L to R): Randy Freeman, Chairman; Joe McCarty; Tom Cash; (2nd row, L to R): Barney Hatten; Fred Brandstadt.

The credit union experienced growth during 2013 on par with overall economic growth. Total assets rose \$33.4 million or a modest 2.6%, ending at \$1.298 billion at year-end. We saw a measurable increase in consumer loan demand during the year; however, that was offset by weak mortgage demand as the last of the refinancing wave receded. Total loans outstanding at year-end were \$700.5 million. Deposits rose \$29.2 million, or 2.6% with growth seen primarily in shares and checking balances.

The continued low interest rate environment meant reduced earnings from both loans and investments. The credit union staff worked hard to offset lower revenues by finding efficiencies in operations resulting in a 1% reduction in operating expenses from the previous year. Loan delinquencies and charge-offs continued to stay within acceptable ranges. Net income of \$8 million added to the financial reserves of the credit union, extending members' net worth to 10.22%. America's First remains well capitalized and one of the strongest credit unions in the country.

Your Board of Directors works with a very talented and dedicated leadership team and staff at America's First. Together, we strive to make the organization better every day by ensuring that everything we do serves the best interest of the membership. Thank you for your continued confidence and support.

Randy Freeman, Chairman
Board of Directors

Supervisory Committee Report

The Supervisory Committee is charged with the responsibility of overseeing the audit function of the credit union and works to manage and maintain the financial integrity of the organization. The Supervisory Committee meets monthly with the Internal Audit Staff to review progress on the audit plan, discuss audit results and address the policies and procedures supporting the internal control systems of the credit union. The Board of Directors review reports from the Supervisory Committee each month.

Supervisory Committee members are appointed by the Board of Directors annually and serve on a volunteer basis. Members of the committee are selected based on their experience and expertise in the areas of business, finance and accounting.

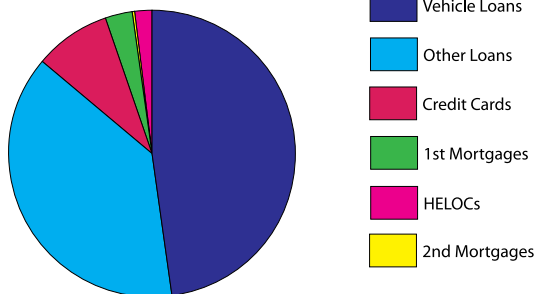
Mauldin & Jenkins, LLC, an independent certified public accounting firm, was selected by the Supervisory Committee to conduct an audit of the financial statements of America's First Federal Credit Union for the 2013 calendar year. Upon review of their audit report, the Supervisory Committee is proud to report that America's First received an unqualified opinion, meaning the financial statements as presented by management fairly represent the financial condition of the credit union as of December 31, 2013.

Cathy Antee
Chairperson



Supervisory Committee
(Top down): Cathy Antee,
Chairperson; Lee Strick-
land; Fred Brandstadt,
and Ross Mitchell

2013 New Loan Production



Loan Officers Report

Member demand for consumer and mortgage loans increased in 2013 as the economy continued its slow but steady recovery. The credit union responded by approving over 15,600 new loans totaling \$228.7 million during the year. Production included 7,919 loans for autos, boats, motorcycles and RVs; 6,748 new credit cards and unsecured lines of credit; 931 mortgages; and 55 student loans. The loan portfolio totaled \$700.5 million at year end.

Statements of Financial Condition

ASSETS	2013	2012
Cash and Cash Equivalents	\$ 130,956,593	\$ 125,633,261
Loans to Members-net	697,239,723	692,324,492
Investments	427,372,930	402,188,517
Property and Equipment	25,063,325	22,633,217
Other Assets	17,318,563	21,722,300
TOTAL ASSETS	\$ 1,297,951,134	\$ 1,264,501,787
LIABILITIES AND MEMBERS' EQUITY		
Dividends and Interest Payable	\$ 243,348	\$ 294,552
Accrued Expenses and Other Liabilities	6,306,563	5,591,885
Members' Shares and Deposits	1,160,587,521	1,131,387,037
TOTAL LIABILITIES	\$ 1,167,137,432	\$ 1,137,273,474
Regular Reserves	9,613,040	9,613,040
Undivided Earnings	121,200,662	117,615,273
TOTAL MEMBERS' EQUITY	\$ 130,813,702	\$ 127,228,313
TOTAL LIABILITIES AND EQUITY	\$ 1,297,951,134	\$ 1,264,501,787

Years Ended December 31, 2013 and December 31, 2012

These condensed financial statements are derived from the credit union's audited financial statements, which are prepared in accordance with Generally Accepted Accounting Principles (GAAP). To receive a detailed report of the company's financial statements, including the auditor's opinion, write to: America's First Federal Credit Union, Marketing Department, 1200 4th Avenue North, Birmingham, Alabama 35203.

Statements of Income

INCOME	2013	2012
Loan Interest Income	\$ 28,937,536	\$ 31,538,071
Investment Income	4,175,584	4,455,485
Fees and Other Income	16,242,029	15,778,315
TOTAL INCOME	\$ 49,355,149	\$ 51,771,871
EXPENSES		
Compensation & Benefits	16,374,205	15,445,819
Office Operations and Loan Servicing	9,089,913	9,919,613
Occupancy	1,779,870	1,697,296
Other	4,667,077	5,319,079
TOTAL OPERATING EXPENSES	\$ 31,911,065	\$ 32,381,807
INCOME FROM OPERATIONS	\$ 17,444,084	\$ 19,390,064
Provision for Loan Losses	2,243,657	1,264,082
INCOME BEFORE CAPITAL COSTS	\$ 15,200,427	\$ 18,125,982
Dividend and Interest Expense	7,135,172	9,093,883
NET INCOME	\$ 8,065,255	\$ 9,032,099

Years Ended December 31, 2013 and December 31, 2012

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Management Report

Being service minded is a core value for the management and staff of America's First Federal Credit Union. America's First was founded in 1936 to provide financial services for its members and for over 77 years we have stayed true to our purpose.

In order to provide world class service we are always surveying the marketplace for new products that provide value and convenience for our members. Given the rapid adoption of mobile technologies and the demands of having almost unlimited access to financial accounts, we launched Remote Deposit Capture on March 25, 2013. This exciting new service allows members to deposit checks using their smart phones or scanner at home, at the office, or almost anywhere. The response to this service has exceeded all expectations. By the end of 2013, over 6,000 members had deposited 52,513 checks for over \$20 million.

To help our members address the rising costs of a college education, the credit union began offering Private Student Loans in 2012. Private Student Loans help fill in the gaps between college savings plans, scholarships, grants and other sources. At the end of 2013, our student loan portfolio grew to almost \$1 million in outstanding balances and

continues to grow as more students take advantage of this new service.

In addition to providing student loans, America's First has been a proud sponsor of the First Class Student Program in conjunction with ABC 33/40. The First Class Student Program recognizes exceptional students throughout central Alabama. In 2013, the program's fifth year, America's First awarded three scholarships of \$5,000 each to help very deserving students attend the college of their choice. We are very proud to be associated with this outstanding program that can allow students to reach their full potential.

We believe that it is important that children are taught to be financially responsible before they head off to college. The America's First Kids First Club Account is a fun way to teach children the importance of saving. Kids First Club Members who make all A's and B's on their most recent report card receive \$5.00 each grading period. In 2013, Kids First Club Members received \$34,855 in Honor Dollars as a reward for being good students. Our Kids First Club Account continues to be a very popular program for our students and their families and is a great way to save for the future.

(Top row, L to R) Bill Connor, President and CEO; Shirley Lochamy, Senior VP Sales & Service; Alan Stabler, Senior VP Loan Administration & General Counsel; Mike Northrup, VP Information Technology;
(2nd row, L to R) Phil Boozer, VP Public Relations/Sales; Teresa Owens, VP Controller; Kevin Morris, VP Consumer Lending; Audra Weber, VP Human Resources



Management Report

On July 22, 2013, the credit union relocated our Anniston branch to a new office in the Oxford community. The new location, in the Oxford Commons Shopping Center features four drive-through lanes, safe deposit boxes, better parking and a professional and experienced staff that remains eager to serve our members in a brand new facility.

Providing service and giving back to our members continued in 2013. Last year, our members earned over \$7.1 million in dividends on their insured accounts. Members also redeemed over 37 million debit card reward points for gift cards, merchandise, travel vouchers and gifts to charitable organizations. Moreover, America's First credit card holders received over \$469,000 in cash back on their credit card accounts and our popular 1% Back and Days of Summer campaigns in 2013 resulted in over \$393,000 being returned to our members.

Service to the community in 2013 was evident in events held throughout the year. America's First employees and volunteers participated in service projects, walks, marathons and other events benefitting the Community Food Bank, Susan G.

Komen for the Cure, Jingle Bell Run for the Arthritis Foundation, Out of Darkness suicide prevention, Ronald McDonald House, March of Dimes, and Children's Hospital just to name a few. Bill Connor, President and CEO of America's First, served as the Corporate Chair for the Juvenile Diabetes Research Foundation (JDRF) 2013 Birmingham Walk to Cure Diabetes. Through various fundraisers, employee and member donations, and our annual charity golf tournament, over \$50,000 was raised for JDRF. Additionally, the credit union sponsored four "ShredFests" in 2013, to allow members of the community to permanently destroy personal documents to help combat the ever growing crime of identity theft.

Finally, for the fourth year in a row, America's First was recognized as one of the Best Companies to Work for in Alabama. This is an honor that we realize comes from the hard work and dedication of our staff. Being a best company to work for easily translates into a best company for you to conduct your business. We are very proud of the organization that we have built around service and we hope to earn your trust every day.

Below (L to R) 1. One of nine America's First blood drives 2. Community event at UAB 3. Holiday toy drive 4. Walk for JDRF benefitting research for Type 1 diabetes.



**America's
First** 
Federal Credit Union

www.amfirst.org

Refreshingly Unbank-like