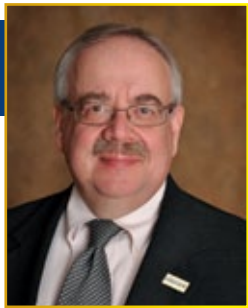


Catholic United Financial



Harald Borrmann
President and
Chair of the Board

2013 Annual

Report

Assets
\$806 million

Policy Reserves
\$766 million

Total Surplus
\$33.4 million

Life Insurance In Force
\$2.10 billion

Dear Members and Friends of Catholic United Financial:

We are pleased to report that 2013 was a year where we did what we said we were going to do in terms of the financial results of our fine Association.

At the beginning of 2013, we set a plan to grow our total surplus, increase our life insurance premiums, manage our annuity sales to a reasonable target, and produce overall net operating income for our Association. I'm proud to announce that we not only achieved each of these goals but, once again attained all-time highs in balance sheet categories in the left column. Let's explore some of these highlights in greater detail.

Assets

Total assets increased over the prior year by more than \$32 million to reach a record \$806 million at the end of 2013. The majority of the invested assets (\$737 million or 92.5%) consist of bonds as part of a diverse portfolio managed in accordance with the Investment Policy set and monitored by our Board of Directors. Remarkably, only \$7.5 million (1%) are considered non-investment grade securities, reflecting the continued high quality of our bond holdings.

Our mortgage loan portfolio decreased by \$4 million to a balance of \$23 million during 2013 as a result of normal payoff activity, offset by one newly written loan. I am pleased to report that these investment portfolios remain in excellent overall condition.

The S&P 500 and Dow Jones Industrial Average indexes gained 29.6% and 26.5%, respectively, during 2013 and

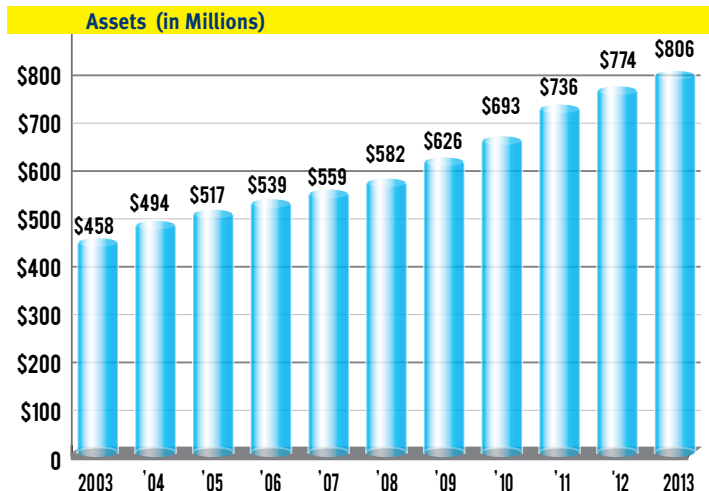
this strong U.S. equity market return allowed us to realize gains of \$430,000 during the year. Our equity portfolio holdings were doubled during the year to \$9 million at year-end, which is just over 1% of our invested assets.

Overall, the steady asset growth of our Association is due to 1) our legacy Members, who loyally pay their premiums, 2) new Members who purchase new life insurance and annuities policies and 3) our prudent investment strategy. This conservatism in our investment plan aligns with the commitments we've made to ensure our Members' security and meet their long-term needs. This approach has sustained us for 136 years and continues to bear fruit today.

Liabilities & Surplus

The Association's policy reserves grew comparably to our assets, by \$32 million reaching a new record of \$766 million at year end. As gratifying as it is to see our assets and policy reserves continue to grow, the most significant financial accomplishment of 2013 is our 13% growth in total surplus to a new record of \$33.4 million.

Total Surplus is a combination of Surplus and the Asset Valuation Reserve (AVR), both of which serve as an important "safety net" for our Members' investments and our ability to pay future benefits and claims. The AVR increased \$1.9 million given the increased equity holdings.



	12/31/2012	12/31/2013
Surplus	\$26,484,782	\$28,371,487
+ AVR	\$3,085,862	\$5,004,442
Total Surplus	\$29,570,644	\$33,375,929

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Surplus also increased \$1.9 million during the year due primarily to the long-awaited and planned reduction in the Association's employee pension plan liability. Our Members' assets and the company's position are more secure than ever because of this growing surplus pool.

Income

Total premium of the Association of \$46 million in 2013 was 16% lower than the prior year, due to our planned reduction in annuity premiums. Annuity sales from 2009 through 2012 were at or near record levels, thus our plan to reduce new annuity premium in 2013 is sensible as it allows the profits from the 2009-12 business to grow and strengthen our surplus, which in turn improves our ability to protect our Members' money in future years.

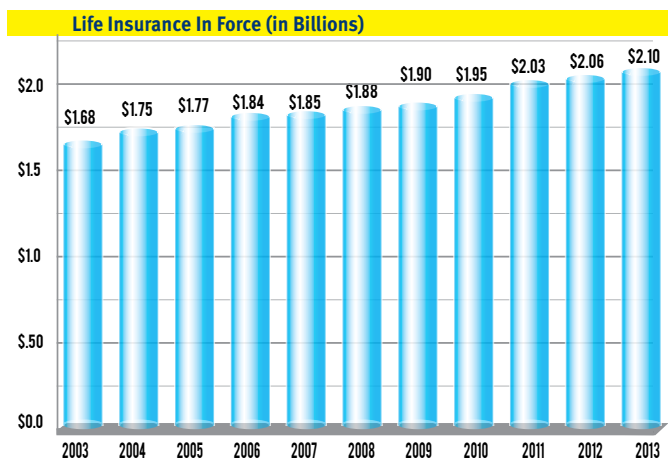
In contrast to our plan to temper annuity premiums, we successfully boosted life insurance sales as life premium rose 7.3%, surpassing \$16 million for the year, a new record. This success ultimately drove our life insurance in force to yet another all-time high of \$2.1 billion, continuing the steady increase of our life insurance business over the past decade.

The final component of income that I would like to point out is the investment income earned on the Association's investments. The surge in asset levels previously mentioned allowed investment income to grow \$1.3 million and total \$36.6 million during 2013. Unfortunately, this asset growth is mitigated by the historically low interest rate environment, which requires us to reinvest the proceeds of maturing bonds at a much lower yield. This normal reinvestment activity reduced the portfolio yield to 4.84% for 2013, a decrease from 5% in the prior year. Interest rates improved somewhat as 2013 progressed; however, a sustained recovery is expected to be slow with a similarly slow improvement of the Association's portfolio yield over the next few years.

Claims, Expenses & Profit

The claims and expenses of the Association decreased \$6.3 million during 2013 commensurate with the planned reduction in new annuity premium during the year. Lower claim and surrender activity and a decline in insurance operating costs also served to reduce expenses throughout the year. Fraternal program expenses were the same as the prior year at just under \$2 million during 2013, reflecting our continued commitment to our fraternal programs to expand the reach of our Association.

All in all, our Association achieved net income of \$379,000 in 2013, given a small net gain from operations coupled with sizeable realized capital gains received during the year.



Year-End Financials for Catholic United Financial

STATEMENT OF OPERATIONS	2012	2013
Total Income	\$90,025,551	\$83,624,029
Total Claims & Expenses	\$89,865,835	\$83,588,934
Net Gain from Operations	\$159,716	\$35,095
Refunds to Members	\$450,925	\$454,254
Net Gain (Loss) after Refunds	(\$291,209)	(\$419,159)
Net Realized Capital Gains (Losses)	\$132,740	\$797,914
Net Income (Loss)	(\$158,469)	\$378,755

BALANCE SHEET	2012	2013
Total Assets	\$773,677,339	\$806,180,777
Total Liabilities	\$747,192,557	\$777,809,290
Surplus	\$26,484,782	\$28,371,487
Total Liabilities and Surplus	\$773,677,339	\$806,180,777

As a Member-owned, Member-directed organization, growing our membership remains our most important objective. Unfortunately, we did not achieve our planned Member growth during 2013. After a number of successive years of membership increases, we actually declined by 851 Members in 2013 to total 83,166 at year-end. Most of the decline was attributed to former American Fraternal Union Members as we completed our investigation to locate lost Members, finding that many them were deceased. Growing our Membership will continue to be a priority for our Association. I expect that the decline in 2013 is an aberration, with a rebound coming in 2014.

Summary

We began 2013 with a plan that was not flashy but practical. Looking back, we did exactly what we said we were going to do. Our results are consistent with our ongoing mission to be a safe resource for our Members' long-term financial security. Once again, we've achieved and surpassed our goals.

May God bless our Association and our valued Members.