

## **Audit Report**

The Board of Directors hired Green & Fillingim, PC Certified Public Accountants, to perform the 2017 annual audit. The audit was conducted through June 2017. The records of the Credit Union were found to be in excellent condition. The auditor presented the report to the Board.

### **CREDIT UNION DEPARTMENT EXAMINATION**

**The next examination will take place May 21 – 25, 2018. The credit union has been upgraded from a 15 month exam cycle to an 18 month exam cycle, due in part, to very good performance.**

**The Credit Union Department performed their last annual examination as of September 30, 2016. Some of the highlights presented to you at our last meeting were that following:**

- Capital Adequacy:** Capital adequacy is strong, as evidenced by Net Worth/Total Assets Ratio of 11.02%.
- Asset Quality:** Asset quality ratios remain controlled. The loan review revealed no material concerns with loan underwriting or documentation, and policies and procedures are adequate.
- Management:** Management and the board are active and engaged, and are effectively directing and controlling the affairs of the credit union.
- Earnings:** Earnings performance is positive, as evidenced by the Return on Average Assets Ratio of 0.31%.
- Liquidity:** Liquidity is sufficient to meet member loan and deposit withdrawal needs
- Sensitivity to Market Risk:** Sensitivity to Market Risk is controlled. Interest Rate Risk is being adequately monitored and controlled.
- Overall Assessment:** The credit union is financially sound. Asset quality is satisfactory, the earnings performance remains positive, and the credit union remains “well capitalized”.

## 2017 State of the Credit Union Report from the President / CEO

Good Morning and welcome to our 2018 Annual Meeting of Trans Texas Southwest Credit Union. I am delighted to be here with you for this 64th annual meeting. Thank you for joining us today and I applaud you for being truly connected member-owners.

We are the stakeholders in this credit union. And by “we”, I mean all of us, though in slightly different ways. We are all invested in the health and well-being of this great financial institution.

When our credit union founders opened for business in 1954, they could only have dreamed that their vision for a banking alternative for their small field of membership might be successful. They couldn't know their venture would grow to over 2,900 members with over \$44,000,000 in assets in 64 years. We look back on those earliest days with gratitude for their courage, but also with a sense of awe at how far we have come.

We did not get here by accident.

For the success we can claim today, we have many people to thank, but we must start by recognizing our committed volunteer board of directors for their responsible stewardship of our principles, philosophy, and mission; our dedicated staff for embracing our values and our goals and delivering best-in-class service; and our loyal and financially astute members who appreciate the many ways this credit union is a partner in their financial wealth.

Just as you are committed to your financial institution, we are committed to you. In 2017, our staff diligently worked to deliver the following new products and services to the membership:

“Go to My Card”	Website upgrade	E-Notices
Transaction Server	Bill Pay Upgrade	Mobile Banking
Core System upgrade	E-Statements	Cash Advance Terminal
Improved Home Banking	Share Draft Images	

Pending products and services to be delivered in 2018:

Instant Issue	Live Debit Card and ATM transactions
After Hours support for Debit Cards	E-sign for Loan Documents
EMV/Mag-stripe to chip Debit and Credit Cards	

As you can see, we have a comprehensive plan to modernize the credit union's products and services.

### Loan Activity Report 2017

There were 713 loans made in 2017 for a total amount of \$12,046,399. Since organization, your Credit Union has made loans in the total amount of \$307,290,553.33. To date, the net loss from loans is only \$ 942,714.76 or .3%. Eleven (11) loans were considered uncollectible in 2017, which totaled \$55,020.89.

### Financial Highlights 2017

	<u>2016</u>	<u>2017</u>	<u>Diff.</u>	<u>%Diff.</u>
Loans	32,260,067	31,516,921	- 743,146	- 2.30%
Investments	7,149,588	9,140,369	+ 1,990,781	+27.84%
Total Assets	43,355,357	44,383,648	+ 1,028,291	+ 2.37%
Deposits	38,299,159	39,141,845	+ 842,686	+ 2.20%
Total Equity	4,986,931	5,100,237	+ 113,306	+ 2.27%

Dividends and Interest Paid to Members: \$338,742

Total Expense for 2017: \$1,645,065

Total Primary Members as of December 31, 2017: 2,911

Trans Texas is well-capitalized with a strong capital ratio of 11.49%.

2017 results illustrate that we are a strong, sustainable, and efficient financial institution. That financial well-being enables us to maintain an integral presence in our community.

Community involvement is just one of the things that make credit unions different from other financial institutions. Some of the organizations that embodied our commitment to the community during 2017 include.

American Cancer Society  
American Heart Association  
Angel Tree  
Angelo State University  
Better Business Bureau  
Central High School Band Boosters  
Children's Emergency Shelter  
Coke County Livestock Association  
Community Matters  
Concho Christmas Celebration  
Concho Valley Home for Girls  
Concho Valley PAWS  
Cowboy Gathering  
Downtown Lions Club  
Downtown San Angelo, Inc.  
Eldorado Eagle Boosters  
Eldorado Game Association  
Galilee Community Development  
House of Faith  
Justice Home  
Leadership San Angelo  
Meals for the Elderly  
National Prayer Breakfast  
National MS Society

Operation Warm Heart  
Pregnancy Help Center  
Rio Concho Manor East & West  
Rust Street Ministries  
Salvation Army  
San Angelo Chamber of Commerce  
San Angelo Chapter of Credit Unions  
San Angelo Downtown Lions Club  
San Angelo Stock Show & Rodeo  
San Angelo YMCA  
Schleicher County Stock Show  
Southwest Bible Institute  
St. Jude Children's Research Hosp.  
St Mary's Catholic Church  
Tom Green County Fair and Livestock Show  
Trinity Lutheran Church  
United Way of the Concho Valley  
VFW  
Wall ISD  
West Texas Boys Ranch  
West Texas Rehabilitation Center  
West Texas Counseling & Guidance  
Wounded Warrior Project

As we move into 2018, my commitment to you today is that Trans Texas will continue to grow responsibly while listening and responding to your needs and continue to develop our staff and board so they can confidently and wisely serve your interests.

We look optimistically into the future because Trans Texas is well positioned to face any challenge and seize any opportunity that presents itself in 2018.

Our member-owners are integral to our credit union family, and we are sincerely grateful that you have chosen Trans Texas as your financial partner. Thank you for your trust and your continued membership. On behalf of the Board of Directors and staff, I wish you and your families the very best in 2018.

Thank you.

Toni A. Sudduth  
President/CEO