

## **Audit Report**

The Board of Directors hired Green & Fillingim, PC Certified Public Accountants, to perform the 2016 annual audit. The audit was conducted through September 2016. 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 Credit Union Department performed their last annual examination as of September 30, 2016.**

- Capital Adequacy:** Capital adequacy is strong, as evidenced by Net Worth/Total Assets Ratio of 11.02%. The ratio increased 52 basis points during the period.
- Asset Quality:** Asset quality ratios remain controlled. While the Delinquent Loans/Loans Ratio of 1.07% is near the peer average, the Net Charge-Offs/Average Loans Ratio of 0.10% is well below peer. 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. Management corrected the concerns noted in the previous examination.
- Earnings:** Earnings performance is positive, as evidenced by the Return on Average Assets Ratio of 0.31%. The credit union maintains a positive earnings performance by controlling operating expenses, the cost of funds, and the provision for loan loss expense.
- Liquidity:** Liquidity is sufficient to meet member loan and deposit withdrawal needs as evidenced by the Cash + Short-Term Investments/Assets Ratio of 20.33%. The credit union has good liquidity policies and practices in place.
- 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”.

## **2016 State of the Credit Union Report from the President / CEO**

Good Morning and welcome to our 2017 Annual Meeting. On behalf of the Board of Directors, management and staff of Trans Texas Southwest Credit Union, let me say how delighted I am to speak to you today on this, the 63<sup>rd</sup> annual meeting since our credit Union was chartered in May of 1954. I am humbled by the trust you have placed in our team whose leadership, dedication and passion for credit unions are integral to our success.

As credit union members, you can take comfort in knowing that, unlike for-profit financial institutions, your board of directors serves on a volunteer basis and doesn't profit from that service. Our sole interests are your interests. We are the stakeholders in this credit union, and we share in its future.

I am proud to say that your credit union is not just one financial institution, but one of thousands in a credit union movement that spans the globe. We each serve as a supporting pillar, and that means that the success of one credit union is a success for the entire movement.

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

Share Draft Images (online)	Real-time processing for:
E-notices	Debit card transactions
Mobile Banking	ATM transactions
Bill Pay	Home Banking
Debit cards will be upgraded to chip cards	

As of April 3, 2017 you can make your credit card payments online by going to our website and clicking on "Go To MY Card" and setting up your account. Also, in May, we will have a home banking update that will be streamlined for easier access.

### **Loan Activity Report** **2016**

There were 753 loans made in 2016 for a total amount of \$11,264,893. Since organization, your Credit Union has made loans in the total amount of \$295,244,154.52. To date, the net loss from bad loans is only \$887,693.87 or .3%. Thirteen (13) loans were considered uncollectible in 2016 which totaled \$41,250.72 or .13%

### **Financial Highlights 2016**

	<u>2015</u>	<u>2016</u>	<u>Diff.</u>	<u>%Diff.</u>
Loans	33,703,113	32,260,067	-1,443,046	- 4.28%
Investments	7,972,851	7,149,588	- 823,263	-10.33%
Total Assets	45,338,829	43,355,357	-1,983,472	- 4.37%
Deposits	40,421,631	38,299,159	-2,122,472	- 5.25%
Total Equity	4,827,157	4,986,931	+ 159,774	+ 3.31%

Dividends and Interest Paid to Members: \$354,684

Total Expense for 2016: \$1,600,810

Total Primary Members as of December 31, 2016: 2,933

Trans Texas is well-capitalized with a strong capital ratio of 11.50%.

To put that in perspective, 7% is the industry standard.

As you can see, we are continuing to experience solid positive growth trends.

2016 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. The following activities are some of the things that embodied our commitment to the community during 2016.

American Cancer Society	Pregnancy Help Center
American Heart Association	Rio Concho Manor East & West
Angel Tree	Runnels County Jr. Livestock Show
ASU Athletics Foundation	Rust Street Ministries
Better Business Bureau	Saint Ambrose, Saint Boniface, & St. Josephs
Central High School Band Boosters	Salvation Army
Children's Emergency Shelter	San Angelo Chamber of Commerce
Coke County Livestock Association	San Angelo Chapter of Credit Unions
Community Matters	San Angelo Lions Charities
Concho Christmas Celebration	San Angelo Stock Show & Rodeo
Concho Valley Home for Girls	San Angelo YMCA
Concho Valley PAWS	Schleicher County Stock Show
Cowboy Gathering	Southwest Bible Institute
Concho Valley Reg. Food Bank	St. Jude Children's Research Hosp.
Downtown Lions Club	St Mary's Catholic Church
Downtown San Angelo, Inc.	Tom Green County Fair and Livestock Show
Eldorado Game Association	United Way of the Concho Valley
Hospice San Angelo	VFW
House of Faith	Veribest ISD
Howard College	Volunteer Services Council
First Baptist Church Ballinger	Wall ISD
First Baptist Church San Angelo	West Texas Rehabilitation Center
Leadership San Angelo	West Texas Counseling and Guidance
Meals for the Elderly	Wounded Warrior Project
National Prayer Breakfast	
National Memorial day Parade	

In closing, I'd like to express my confidence in our leadership team, the wisdom and guidance of our esteemed board of directors, the commitment of our dedicated staff and the support and loyalty of our members. We are extremely optimistic about the future because Trans Texas is well positioned to face any challenge and seize any opportunity that presents itself.

Thank you.