

SIXTY-EIGHTH ANNUAL MEETING OF THE TRAVIS CREDIT UNION

The Sixty-eighth Annual Meeting of the Travis Credit Union was called to order by the Chair of the Board, Patricia Moreno at 5:00 p.m. at the Travis Credit Union Corporate Offices, One Travis Way, Vacaville, California, Thursday, April 25, 2019.

The following officials were present:

BOARD OF DIRECTORS

Patricia Moreno
Deborah Aspling
Mary Coburn
Tom Kulinski
Dee Alarcon
Len Augustine
Doug Beaumont
Oscar Dominguez
Curtis Newland

SUPERVISORY COMMITTEE

J. Arturo Reyes
Johanna Benker
Tim Truesdale

The Chair of the Board, Patricia Moreno, welcomed everyone to the 68th Annual Meeting and introduced the members of the Board of Directors, the Supervisory Committee, Barry Nelson, President & CEO, Martin Fleischer, Parliamentarian, Bryan Mogensen, CPA, with the Accounting Firm of Clifton Larson Allen, and Alex Godinez, Sergeant-at-Arms.

The presence of a quorum was established by the Parliamentarian. Chair Moreno requested that questions from the floor be in writing and explained that all questions would be addressed during the question and answer period. A questionnaire card was distributed to those members who requested it.

Chair Moreno announced the distribution of the minutes of the previous meeting in lieu of reading them. A motion was made and seconded to approve the minutes of the 67th Annual Meeting.

Director Dee Alarcon gave the Invocation and Director Len Augustine led the Pledge of Allegiance.

The Chair's and President's Reports were presented by Patricia Moreno and Barry Nelson.

Mrs. Moreno welcomed everyone to the 68th Annual Meeting of Travis Credit Union, commenting that it is an honor to serve as Board Chair of this credit union. She indicated that Barry Nelson, President and Chief Executive Officer, will review our 2018 financial performance and will present expectations for 2019.

Referring to 2018, Mrs. Moreno commented that Travis Credit Union continued to grow to more than \$3.12 billion in assets and more than 200,000 members. Our financial strength allowed us to bring more value and convenience to our membership and to make a real difference in our communities. We continued to advance our Awesome Cause, which is Financial Education, Financial Literacy and Financial Advocacy. Due to the hard work of many last year, we are proud

to have launched the Travis Credit Union Foundation, a separate 501c3 nonprofit corporation. Financial education is at the core of building stronger communities and helping people realize their financial goals. People helping People is the heart of the credit union philosophy.

Mrs. Moreno commented that since 1951, Travis Credit Union has taken pride in serving our members and communities. We are listening to our members and are making changes to bring greater value and convenience to them. We have transformed some of our branches to remove physical barriers and create more open spaces that enable more direct conversations with our members. Our goal is to deepen our relationships, understand members concerns and financial goals and find the tools needed to help improve their financial well-being. We also focused on greater efficiencies through the use of new technologies, both internally and externally. While we embarked on these and other initiatives in 2018, we continued to keep our eye on another very important part of our mission, our bottom line. We continue to grow and remain financially strong. The credit union's Net Worth remains well above the standards required by regulators, keeping the credit union in a position of financial strength and security.

Mrs. Moreno remarked that she wished to recognize the important link between our financial success and the hard working staff and management team at Travis Credit Union. Their ongoing commitment and dedication to making a difference in the lives of our members is at the core of everything we do. As we forge ahead with our vision and initiatives for 2019, we are excited about the accomplishments of the past year and what lies ahead for Travis Credit Union. The Board of Directors is proud to share Travis Credit Union's accomplishments and financial statement, summarized in the 2018 Annual Report.

Mrs. Moreno thanked all of the volunteers, past and present, for their service to the credit union and remarked that over the past 68 years, our volunteers have helped instill and foster the trust and goodwill that Travis has with our members and our communities today. She asked all credit union volunteers past and present to stand and be recognized for their service. She thanked all of the members who were in attendance, remarking that we all benefit from the active participation and interest of our members and value their loyalty and commitment to help us improve. She then turned the program over to Barry Nelson to give the annual CEO's report.

Barry thanked Chair Moreno for her introduction and also welcomed everyone to the 68th Annual Meeting. He began his presentation by acknowledging those who have served this great nation through the military and asked them to stand and be recognized. He remarked that he also wanted to thank the past and current volunteers for their service to Travis Credit Union. These people are committed to our membership and the time, passion, and expertise they give to this organization is amazing and is much appreciated.

Barry thanked two retired Travis Credit Union CEOs attending the meeting, Patsy Van Ouwerkerk and Lieutenant General John F. Gonge for their support. He remarked that he continues to feel fortunate to have worked for and, to have been mentored by, Patsy Van Ouwerkerk for 12 years. He indicated that we have dedicated this room in appreciation of the service Lieutenant General Gonge gave this Credit Union for the better part of two decades.

Barry commented that before sharing what we have accomplished this last year, he wanted to introduce some of the talented individuals he is privileged to work with. He then introduced each

member of the senior management team and thanked them for their leadership and dedication. He remarked that he and the senior management team have the privilege to work with many gifted individuals that care deeply about creating value for our members.

Referring to the theme of the annual meeting, “Authentic Community Impact,” Barry shared that all organizations exist to create value for their stake-holders. Our stake-holders are our members and the communities they live and work within. Our Mission can be paraphrased to read “we exist to help people with their financial lives.” The Vision Statement can be summarized as “we strive to create value with each and every engagement.” We are a locally owned financial cooperative that must balance the needs of borrowers and savers while being fiscally responsible to the entire membership. This is our goal each and every year. We must take care of our membership today and constantly position ourselves to remain relevant to the membership going forward.

Barry shared that we are all about people helping people. What makes us unique is how we go about helping people and the communities they live in. We filter all of the work, giving and volunteering of our time through the lens of our Awesome Cause. We believe that investing in Financial Education, Financial Literacy, and Financial Advocacy is the way to lift communities and help people live better. When we can help people become financially competent, we can help people make better choices and ultimately achieve their financial goals. It is about addressing the root of the problem rather than the symptom.

Reviewing our commitment to Travis Air Force Base, Barry talked about how we are advancing authentic community impact within our military community. This is where Travis Credit Union started and we work very hard to provide service to those serving our nation through Travis Air Force Base. We train the enlisted and their families on how to save and borrow wisely, we create care packages for the deployed, we educate the children of our enlisted, and we help out with the Fisher House where military families can stay at no cost while their loved ones receive medical treatment.

Travis Credit Union’s impact on the communities we serve was reviewed. Barry reported that in 2018 the Travis team of dedicated professionals helped 568 charities through sponsorships or participation and 252 free community seminars were conducted. 2018 marked the 15th year we provided college scholarships to young members in memory of Mary Keith Duff who served as a volunteer for over 17 years. Since the program’s inception in 2004, we have provided more than \$357,000 in scholarships in her memory. He reported on our Mad City Money program noting that since this program’s inception, we have provided training to 4,831 teenagers on the basics of financial services; how to live within their means, how to pay themselves first, and how to take care of their money so it will take care of them. This is training they don’t get in most schools or in many homes.

According to Forbes Magazine (2015), only 57% of adult Americans are financially literate and America ranks 14th in financial literacy in the world. Discussing financial competency, Barry shared that we know that financial competency is an inside-out job. We can’t pass along what we don’t first possess. For that reason, every employee at Travis Credit Union must advance their knowledge on the four critical pillars of financial competency; planning spending, borrowing and saving. In the process, we will help our own staff live better and be in a better position to share invaluable skills with our membership. He remarked that he tells his team that if we are great at

living our mission and at creating value for others, then more members will join Travis Credit Union and we will get more repeat business from existing members and will become more efficient over time.

Reporting on the 2018 financials, Barry commented that we now have just under 210,000 member-owners, a 3.1% increase since last year. Our assets increased 5.0% last year to \$3.12 billion. We are the 14th largest credit union in the state of California and the 72nd largest credit union in the nation. In 2018 our loan portfolio increased by 3.3% to \$2.4 billion. That increase doesn't give justice to how we helped people with their financing needs in 2018. We financed 18,832 automobile loans for \$512.4 million. We also financed 2,350 real estate originations or advances for \$247.9 million. When you consider all of our lending products, we funded nearly \$800 million in loans this past year.

Barry shared that in 2018 our total member deposits reached \$2.7 billion, a 4.6% increase. We realize that we must create value for all of our members, both borrowers and savers. Although market rates remain low relative to historical norms, they rose throughout 2018. We responded by increasing rates on some of our product lines as well as offering a certificate promotion that rewarded members based on the amount of business they did with us. The overall dividends paid to our members increased 31% since the prior year. Talking about gaining efficiencies he pointed out that in 2018 it cost us \$0.65 for each dollar we earned, whereas the year prior the cost was \$0.67. We refer to this as our Efficiency Ratio. He noted that a former federal regulator opined that working with an efficiency ratio less than 75% was ideal for the membership. More loans, more deposits, and more efficiencies led to \$26.6 million in Net Income in 2018 compared to the \$17.9 million earned in 2017. He commented that our regulators currently define a well-capitalized credit union, one with healthy reserves to handle various economic cycles while serving their members, to have at least 7% of their assets in reserves. The reserves we have relative to our assets exceeds that level as we are currently at 11.74%. It is important that our members understand that their credit union is financially strong. This financial position "fuels the mission" and enables us to create value for our members.

Barry talked about the recognitions Travis Credit Union has received, indicating that our financial performance, our Awesome Cause, and our community improvement efforts have led to some nice recognition. We have been designated by the US Department of the Treasury as a Community Development Financial Institution (CDFI), which means we've been formally recognized as a financial institution that provides credit and financial services to the underserved. We were also recognized as one of the Top 20 financial institutions nationwide for our work linking financial education and local economic development. Also in 2018 we were once again rated as one of Top 200 healthiest credit unions in America by the independent Deposit Accounts Agency. We were voted Best Credit Union by subscribers of The Vacaville Reporter, The Fairfield Daily Republic and the Vallejo Times Herald. We were the recipient of the Merced Sun-Star's "Excellence in Business" honor and were chosen the Dixon Chamber of Commerce's Business of the Year. In addition, Assemblymember Tim Grayson attended our Pleasant Hill Branch opening and stated that his district is improving because of our presence. We are all about community impact and are thrilled that people of influence understand the difference we make.

Barry reported about how we've expanded our authentic community impact since we last met. During the 4th quarter of 2018 we opened our 24th branch in Pleasant Hill. This location offers

both “high tech” and “high touch” service. Members can receive assistance the way they desire; self-serve, assisted-service, or full service. We have evolved in Real Estate lending since we last met. We now underwrite Federal Housing Administration (FHA) and Veteran’s Affairs (VA) loans in-house. We have a relationship with Solano Mortgage where members that use their services can have their loans funded by Travis Credit Union. Currently, we are in the process of developing a down-payment assistance program to help more members realize home ownership.

Barry reported that in February 2018 we launched an upgrade to our digital banking application that failed to meet our member’s expectations. Last year I apologized for this misstep and promised we’d make progress. A year ago our mobile banking application received a rating of 1.5 on a scale ranging from 1.0 – 5.0. Today our rating is 4.1. We have tested our application for functionality and speed against the top five financial institutions and have compared favorably. We heard our members and we improved. Now that we have addressed many of the issues we had last year, we will further advance the functionality of the digital application. Later this year we are going to introduce the ability to handle person-to-person payments in real time by partnering with Zelle. He remarked that there are more improvements on the horizon which include a streamlined approach to opening accounts on-line, easier means to deposit checks by mobile, Touch and Facial ID recognition and sign-on from the website landing page and access to credit scores via digital banking.

Talking about the importance of member feedback, Barry commented that we heard from members that the member experience in our Contact (Call) Center was poor in that the wait times for many was too long. Today our member service levels are deemed strong as 70% of the calls are picked up in 30 seconds or less. In addition, we have implemented the option to be called-back. Continuous improvement in the Contact Center will materialize when we reduce the number of people you need to talk to for assistance. That is known as first call resolution. We will be tracking this metric along with the amount of time it takes to resolve the member need. He stated that we care about our members’ time and their experience. We are actively pursuing ways that we can better streamline our surveys and make it easier for members to weigh in on matters like your experience with our team members, how likely you are to refer family and friends, and how easy it is for you to do business with us. Look for a new survey experience in January 2020.

Barry commented that we are all about continuous improvement. For 2019 we realize that we must improve our ability to leverage the information we have at our disposal to make better informed decisions and more relevant offers to our members. We must continue to advance our digital platforms as consumers demand to do business with us at their convenience, not ours. We realize that we must consider the member experience in everything we do. Most importantly, we must get better at advancing our Awesome Cause of Financial Education, Financial Literacy, and Financial Advocacy. Getting better in each of these areas will enrich and advance this financial cooperative and enable us to give more back to our membership.

Barry concluded his remarks stating that it is an honor for him to be here and a privilege to work with others dedicated to serving our membership. He commented that he will never forget that we are a financial cooperative that exists to create value for our members and the communities we serve. He encouraged the members in attendance to call on any one of the staff during the year if they have questions. He thanked everyone for their membership and support and for attending the Annual Meeting.

Chair Moreno introduced Dr. Arturo Reyes, Chair of the Supervisory Committee who gave the Supervisory Committee Report. Dr. Reyes reported that the role of the Supervisory Committee is to ensure that Travis Credit Union remains a safe and sound financial institution by overseeing the Internal Audit Department staff review of internal controls, compliance, procedures, and regulations. He indicated that he was pleased to report that in 2018 no serious issues were identified and good internal controls were in place. The Supervisory Committee, through Director of Audit Tom Corio, also helps coordinate examinations by our regulators to further safeguard members' assets and verify members' accounts. This year, the California Department of Business Oversight and the National Credit Union Association found that Travis Credit Union is a financially sound organization, dedicated to serving its members.

Dr. Reyes commented that the Supervisory Committee engaged the independent CPA firm of Clifton Larson Allen to perform the annual comprehensive and independent audit. The 2018 audit was completed successfully and Travis Credit Union's financial statements comply with generally accepted accounting principles and fairly represent the financial condition of the credit union. He shared that based on our audits, examinations by state and federal regulators, and the independent audit, the Supervisory Committee states with confidence that Travis Credit Union is financially sound, efficiently managed and operates with a high degree of concern for the best interests of the membership. He commented that we affirm that the Board of Directors, President/CEO Barry Nelson, and the Management Team provide dedicated ethical leadership and have our ongoing support. Dr. Reyes thanked everyone for attending the 68th Annual Meeting.

Dr. Reyes introduced Mr. Bryan Mogensen, Partner from the accounting firm of Clifton Larson Allen Accountancy Corporation to give the Report of the Auditors. Mr. Mogensen commented that he works with hundreds of credit unions throughout the United States and is happy to be here to present the results of the 2018 financial statements audit. One of the duties and responsibilities of the Supervisory Committee is to have a financial audit conducted in accordance with NCUA and the State of California rules and regulations and Clifton Larson Allen was hired to perform this audit. He commented that the audit was conducted in accordance with Generally Accepted Auditing Standards. The preparation of the financial statements is the responsibility of the Credit Union's management and it is the auditing firm's responsibility to express an opinion on the reliability of these financial statements, based on the audit. He commented that based on their testing they issued an unmodified, or clean, audit opinion for the year ending December 31, 2018. He indicated that this is the highest result that can be obtained from an opinion audit. There were no material misstatements to the financial statements and there was sound internal controls with the reporting of the financial statements. In addition, there were no significant deficiencies or material weaknesses found in the internal controls. He reported that they have determined that the credit union's financial statements were truthfully prepared and that they accurately reflect the financial condition and financial performance of the Credit Union during 2018. It was noted that a copy of the audited financial statements can be obtained from the credit union and that the financial statements in the Annual Report have been condensed for readability.

Unfinished Business

NONE

New Business
NONE

Question Period:

Chair Moreno and President/CEO Nelson answered members' questions from the floor. There were no unresolved issues from the prior Annual Meeting. Questions regarding members' individual accounts were referred to staff to answer after the meeting.

Election Results:

Director Oscar Dominguez, chair of the Nominating Committee, announced that this year there were three Board of Director positions and one Supervisory Committee position to be filled. He explained that each year, in accordance with the credit union's bylaws, the Board of Directors appoints a Nominating Committee. The Committee evaluates all of the eligible candidates and presents their recommendations to the Board of Directors. He commented that he would be making this report on behalf of the Nominating Committee and that he wished to thank the other members of the Committee for their service.

Mr. Dominguez reported that for the open positions on the Board of Directors, incumbents Pat Moreno, Curt Newland, and Len Augustine had indicated their interest to serve again and have been recommended for re-election to three-year terms on the Board of Directors. Mr. Dominguez reported that on the Supervisory Committee, incumbent Arturo Reyes has been recommended for election to a three-year term.

Mr. Dominguez commented that all candidates running for the Board of Directors and Supervisory Committee were unopposed and based on the recommendations of the Nominating Committee and approval of the Board of Directors, therefore are duly elected by acclamation.

Adjournment:

Having no further official business to come before the chair, Chair Moreno requested a motion to adjourn the meeting. A motion to adjourn the meeting was made, seconded and approved. The meeting was adjourned at 6:12 p.m.

The drawing for the door prizes was held.



Patricia Moreno, Chair



Mary Coburn, Secretary