

Annual

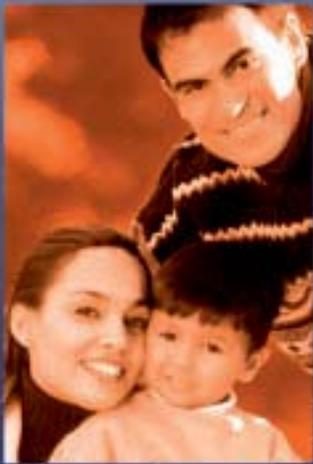
Report

2003

*Commitment*

of

Service



**TRAVIS**  
CREDIT UNION

# Commitment of Service to Our Members

Bringing increased convenience to our members was a major focus in 2003. To this end, we started construction on new branches in Dixon, Green Valley (Fairfield), and Antioch. Dixon opened its doors in April 2003, while Green Valley and Antioch opened in January 2004. Additional ATMs at these new branches and at the Commissary at Travis Air Force Base raised our number of credit union-owned ATMs to 43.



*Dixon Branch Grand Opening  
April 2003*



*Green Valley Branch Grand Opening  
January 2004*



*TAFB Commissary ATM  
August 2003*



*Antioch Branch Grand Opening  
January 2004*

# Commitment of Service to the Community



Fiesta Days Parade



Christmas Wish



Rotary Fishing Derby



Billy Perkins, Director, Brigadier General Bradley Baker, and Patsy Van Ouwerkerk at Fisher House, Travis Air Force Base



Jim Porter and the Thunderbird's mascot at Travis Credit Union Park

# Chairman and President's Report



On behalf of the Board of Directors, we are pleased to report that 2003 was another very successful year for your credit union. Thanks to our dedicated volunteers and the hard work of over 350 employees, we accomplished many strategic and organizational goals. Throughout this report you'll see examples of our commitment of service to our members, to our community and to our staff. Appropriately the theme of the 2003 Annual Report is "Commitment of Service."

Our commitment begins with strategic planning which positioned us in 2003 to make a number of enhancements to our products and services, expand our branch and ATM networks and to improve the overall level of service, value, convenience, and care provided to members. We are very pleased that while adding several branches and increasing the number of members served, our weekly member service satisfaction surveys in 2003 still resulted in an overall average satisfaction rating of 4.70% on a scale of 1 (low) to 5 (high).

We believe the credit union's strong financial performance in 2003 is a direct result of our focus on members and our commitment to quality service. Deposit growth was strong at 8.31% and loan growth grew by a record 17.73%. The graphs which follow in this report show excellent performance in all areas. The number of members served grew to almost 122,000, or a growth rate of 7.28%. Positive net income, which fuels members' equity in the credit union, grew at almost 23%, and ensures continued strong performance in future years. Once again we were able to maintain a strong capital to asset ratio of over 10%.

Each year financial goals, as well as service-related business plan items, are agreed upon by the Board of Directors and senior management through the budget and strategic planning processes. Bringing full-service convenience to more members was a major initiative in 2003. We constructed new branches in Dixon, Green Valley (Fairfield), and Antioch. Dixon opened its doors in April 2003, while Green Valley and Antioch opened in early January 2004. Adding ATMs at these new branches raised our number of credit union-owned ATMs to 43. We reached out to these communities and potential members responded by joining Travis Credit Union, taking advantage of our loan and savings products, using our ATM network and online services, and interacting with us at local events and activities. In 2004, we plan to open branches in Woodland and Vallejo.

Credit union membership historically has meant savings for individuals and families in many ways—lower loan rates, higher savings rates and lower fees. In 2003, we partnered with Dental Benefits Plus to offer members a low-cost dental program that includes savings up to 50% on dental procedures.

An E-Commerce Committee was formed to evaluate and redesign the Travis Credit Union web site. This committee continually reviews how we deliver electronic services. Since the site has always been a primary means of online account access for members, we made changes based on comments about how to make it more user-friendly. When the new site was introduced in September, we posted a visitors' survey to see what members thought and made additional changes based on their comments. If you haven't tried Online Banking, Bill Payment, E-Statements, or applied for loans online, you can learn more about these services by visiting [www.traviscu.org](http://www.traviscu.org).

Small business owners encouraged us to consider business related services and after careful research, in late 2003 we offered a new business product line on a limited basis. We worked with 15 members/business owners to test these business accounts and we are pleased to now offer a variety of checking accounts, a personal line of credit, credit cards and merchant card services. In 2004 we plan to offer additional small business loans to include SBA insured loans.

In February and April several Travis Credit Union volunteers and staff joined other credit union executives in Washington, D.C. and Sacramento to visit with legislative leaders for the purpose of educating them about the unique role credit unions play in the financial industry. As in the past, we stressed the differences in credit unions and banks and asked for continued support from our elected officials. Bank lobbyists continue to attack the not-for-profit status of credit unions; consequently, it is important that our message is heard. We believe all consumers should have access to credit unions and that the continued success of credit unions is dependent on favorable regulatory and legislative environments at both the federal and state levels.

Travis Credit Union proudly supports Travis Air Force Base and the local communities we serve, and our employees are active, caring volunteers. In 2003, we contributed in various ways to programs that were consistent with the credit union philosophy of "people helping people" by offering assistance to improve the well-being of credit union members, promoting the credit union ideal of cooperative self-help, and bringing about human and social development.

As we move through 2004, we will continue to direct the credit union's energy and resources towards providing all members with a high level of service, value-added products and services and to carefully listen to members' perspectives. We are committed to safe and sound business practices that ensure the continued financial strength of Travis Credit Union on behalf of our members. We appreciate your continued support of Travis Credit Union and want to thank you for another very good year. Your membership makes a difference!

A handwritten signature in blue ink, appearing to read "James E. Porter".

**James E. Porter**  
Chairman of the Board

A handwritten signature in blue ink, appearing to read "Patsy Van Ouwkerk".

**Patsy Van Ouwkerk**  
President & CEO

# 2003 Financial Highlights

	December 2003	December 2002	% Change
Assets	\$1,320,542,523	\$1,211,748,471	8.99%
Shares	\$1,173,137,265	\$1,083,089,982	8.31%
Loans	\$836,003,531	\$710,082,670	17.73%
Equity	\$143,229,793	\$125,619,377	14.02%
Net Income	\$19,196,098	\$15,640,644	22.73%
Members	121,968	113,696	7.28%

**Total Assets**



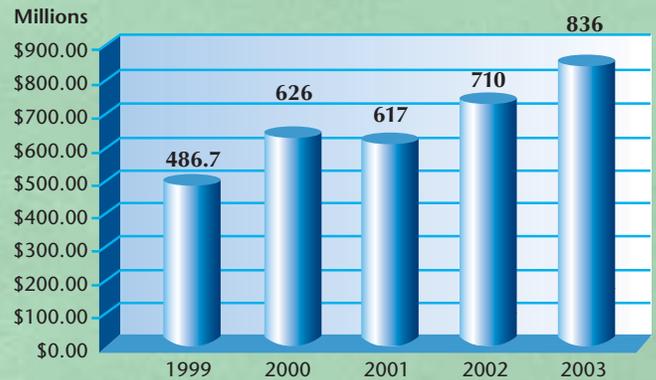
**Net Income**



**Shares**



**Loans**



**Equity**



**Members**



# Statements of Financial Condition

December 31, 2003 and 2002

	December 2003	December 2002
<b>Assets</b>		
Cash	\$ 47,809,208	\$ 32,822,626
Investments		
Available-for-sale	93,258,742	108,868,913
Held-to-maturity	-	49,641
Other	283,053,472	302,171,425
Loans held for sale	510,000	4,810,233
Loans, net	835,493,531	705,272,437
Accrued interest receivable	4,424,673	4,165,463
Property and equipment	38,903,489	38,372,519
National Credit Union Share Insurance Fund deposit	9,217,709	8,532,510
Other Assets	7,871,699	6,682,704
<b>Total Assets</b>	<b>\$ 1,320,542,523</b>	<b>\$ 1,211,748,471</b>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Shares	\$ 1,173,137,265	\$ 1,083,089,982
Accrued expenses & other liabilities	4,175,465	3,039,112
<b>Total Liabilities</b>	<b>\$ 1,177,312,730</b>	<b>\$ 1,086,129,094</b>
<b>Equity</b>		
Retained earnings, substantially restricted	\$ 143,822,708	\$ 124,626,610
Accumulated other comprehensive income	(592,915)	992,767
<b>Total Equity</b>	<b>\$ 143,229,793</b>	<b>\$ 125,619,377</b>
<b>Total Liabilities and Equity</b>	<b>\$ 1,320,542,523</b>	<b>\$ 1,211,748,471</b>

# Statements of Income & Statements of Comprehensive Income

*For the years ended December 31, 2003 and 2002*

December 2003

December 2002

## Statements of Income

### Interest Income

Interest on loans	\$ 55,015,069	\$ 53,213,780	
Interest on investments and cash equivalents	13,436,583	16,492,345	

<b>Total Interest Income</b>	<b>68,451,653</b>	<b>69,706,125</b>	
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### Interest Expense

Dividends on shares	21,597,793	27,825,964	
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<b>Net Interest Income</b>	<b>46,853,859</b>	<b>41,880,161</b>	
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<b>Provision for Loan Losses</b>	<b>6,631,000</b>	<b>6,935,000</b>	
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<b>Net Interest Income After Provision for Loan Losses</b>	<b>40,222,859</b>	<b>34,945,161</b>	
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<b>Non-Interest Income</b>	12,987,217	12,352,382	
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	<b>53,210,076</b>	<b>47,297,543</b>	
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### General and Administrative Expenses

Salary and Benefits	15,928,040	15,309,090	
Operations	14,916,024	13,715,216	
Occupancy	3,169,914	2,632,593	

	34,013,978	31,656,899	
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<b>Net Income</b>	<b>\$ 19,196,098</b>	<b>\$ 15,640,644</b>	
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## Statements of Comprehensive Income

<b>Net Income</b>	\$ 19,196,098	\$ 15,640,644	
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### Other Comprehensive Income

Unrealized (losses) gains on investments classified as available-for-sale	(1,585,682)	79,971	
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<b>Comprehensive Income</b>	<b>\$ 17,610,413</b>	<b>\$ 15,720,615</b>	
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# Supervisory Committee Report



## Supervisory Committee

*From left to right*

Thomas J. Kulinski

Mary Coburn, Chair

Curt Newland

I always look forward to this time of year as it presents me with the opportunity to update you on the activities of the Committee and our Audit Department. We have continued our efforts on your behalf to ensure that our credit union continues its history as a safe and sound financial institution and we promote improvement at every opportunity.

This past year has seen many scandals in Corporate America followed by the issuance of new accounting standards and legislation like the Sarbanes Oxley Act. Even though this law only addressed publicly held companies, and our Regulators reinforced that the law did not apply to credit unions, they did select certain provisions within the context of corporate governance that we may wish to consider implementing. A strong fraud policy, ensuring no conflict of interest, and good sound governance policies are examples that should exist in all institutions. I can report to you that we have policies that address these areas and we are working to improve them.

Both of our regulators visited us in 2003. The California State Department of Financial Institutions (DFI) and the National Credit Union Association (NCUA) conducted a joint

examination to validate the safety and soundness of Travis Credit Union. These State and Federal agencies once again gave the credit union high ratings for their financial soundness and stability.

As part of the Committees responsibilities, we must employ a CPA firm annually to conduct a year-end audit of the financial statements to ensure accuracy. The firm of McGladrey & Pullen, LLP conducted the year-end audit and verified the accuracy of our financial statements.

The Audit Department conducted numerous audits and internal reviews during the year testing internal controls and efficiencies throughout the credit union. No major discrepancies were noted this year.

Based upon our internal reviews, the examinations by the DFI, NCUA, and the independent audit performed by McGladrey & Pullen, LLP, the Supervisory Committee reports, with confidence, that Travis Credit Union is financially sound, efficiently managed and has operated with a high degree of concern for the best interests of the membership. The Board of Directors and Management have continued the excellent performance of past years and deserve our continued support.

**Mary Coburn**

Chair, Supervisory Committee

Travis Credit Union



# Independent Auditor's Report

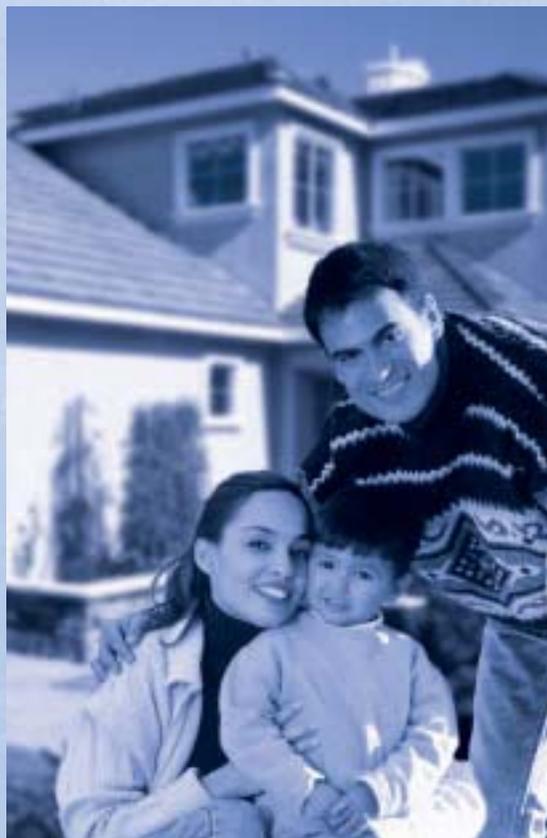
## TRAVIS CREDIT UNION 2003 AUDIT OPINION

On behalf of the members of the Travis Credit Union, the Supervisory Committee commissioned an independent audit of the credit union that was performed by the National CPA firm of McGladrey & Pullen, LLP. Their financial audit for the year-ended December 31, 2003, expressed an unqualified opinion on the credit union's financial statements.

As determined by management, the financial statements included in the Annual Report are condensed for readability and do not meet full disclosure requirements of generally accepted accounting principles. The complete financial statements and the report of the independent certified public accountants are available for review at the Travis Credit Union corporate office in Vacaville, California.

*McGladrey & Pullen, LLP*

**McGladrey & Pullen, LLP**  
Certified Public Accountants  
Brisbane, California



# Board of Directors



*Back Row  
From left to right*

Thomas W. Wells, Secretary  
Billy M. Perkins, Director  
Andrew K. Popenoe, Director  
Charles L. Dawes, Director

*Front Row  
From left to right*

Mary Keith Duff, Treasurer  
James E. Porter, Chairman  
Stuart S. McIntosh, Vice Chairman

# Commitment of Service to Our Staff



Staff Training Day

We realize that developing and training our employees is critical to our mission of delivering exceptional service. On Veteran's Day 2003, we held our first all staff training day. It was a unique opportunity to bring everyone together to share the credit union's goals and objectives for the coming year. We believe a committed, well trained staff is critical to meeting the needs and expectations of our members.

## Commitment of Service



Employees participate in member service training



Staff Diversity Day

# Branch Locations

**Antioch**

5819 Lone Tree Way

**Vacaville**

One Travis Way

2020 Harbison Drive

11 Cernon Street

**Fairfield**

1340 Gateway Boulevard

2570 North Texas Street

5075 Business Center Drive (Green Valley)

**Travis Air Force Base**

659 Skymaster Drive

**Paradise Valley**

(Resident access only)

2600 Estates Drive

**Dixon**

1450 Ary Lane

**Merced**

510 West Olive Avenue

(209) 723-0732

**Member Service Center**

Account assistance and information

(707) 449-4000 or (800) 877-8328

**Call-24 Phone Banking**

24-hour account access by touch-tone phone

(707) 449-4700 or (800) 578-3282

**PhoneLoan<sup>SM</sup>**

Apply by phone and loan information

24 hours a day, 7 days a week

(707) 451-5350 or (800) 449-4110

**Real Estate**

Mortgage information and application

(707) 469-2000 or (888) 698-0000

**Mailing Address**

Travis Credit Union

P.O. Box 2069

Vacaville, CA 95696-2069

**Web Address**

[www.traviscu.org](http://www.traviscu.org)



Your savings federally insured to \$100,000 by the National Credit Union Administration, a U.S. Government agency. Equal opportunity lender.