

smart:financial
CREDIT UNION



Annual Report

2017



84th

April 5, 2018

Annual Membership Meeting



2017

● PEOPLE ♥ PASSION ◆ PURPOSE

Meeting Agenda

Invocation

Ascertainment of Quorum

Appointment of Recording Secretary

Welcome and Introduction of Guests

Adoption of Standing Rules

Approval of Minutes of the 83rd Annual Meeting

Report of the Chairman of the Board

Report of the President/Chief Executive Officer

Smart Financial Foundation Report

Unfinished Business

New Business Report from the Nominating Committee & Election of Directors

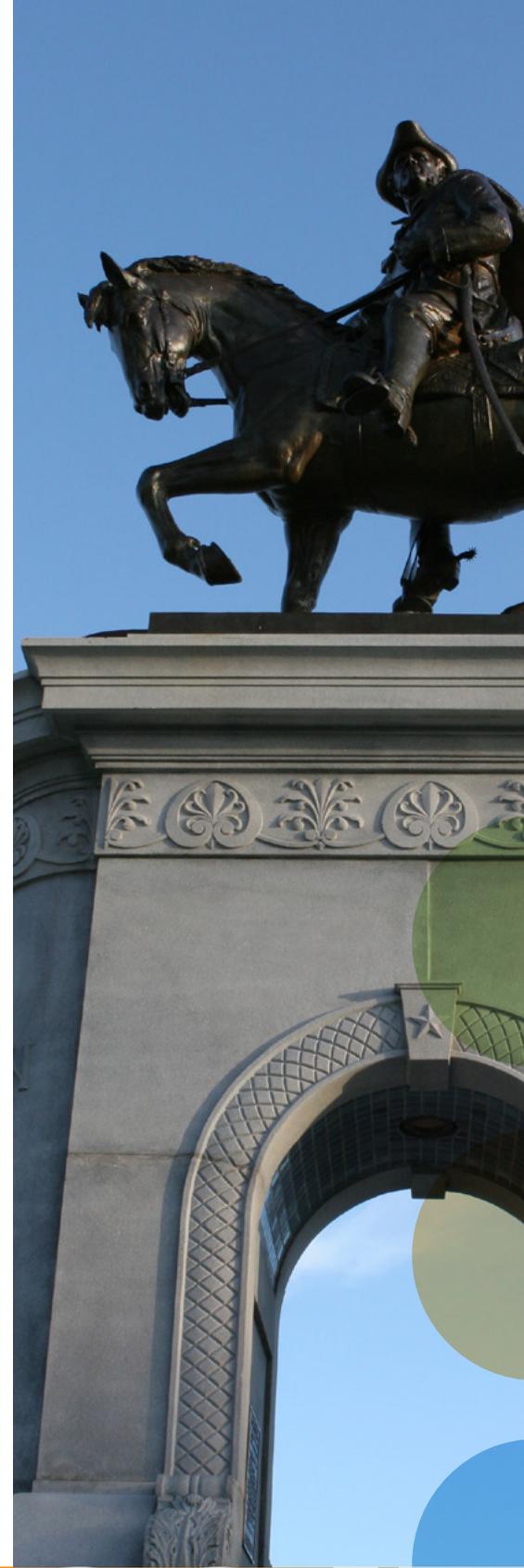
Drawing for Door Prizes

Other New Business

Adjournment

Standing Rules

- I. Robert's Rules of Order, Newly Revised, are the governing rules of this meeting.
- II. Debate by any one member is limited to two minutes at one time on any motion.
- III. A member may speak only twice on any motion and the second time only after others who wish to have been allowed to speak once.
- IV. Affirmation and negative views will be recognized alternately, when possible.
- V. All motions must be submitted in writing, signed by the maker, if requested by the Chairman.
- VI. The Credit Union bylaws state that written ballots shall be required for any contested position. The nominee receiving a plurality of the votes cast shall win the election; otherwise, the election may be by voice vote.



Annual Meeting Minutes

The Annual Meeting of the members of Smart Financial Credit Union was called to order by the Chairman of the Board, Mr. Jeff Hamlin, Thursday, April 6, 2017, at 7:00 p.m. at the Sheraton Houston Brookhollow Hotel, 3000 North Loop West, Houston, Texas.

Mr. Samuel Massie gave the invocation. The Chair determined that a quorum was present and appointed Mrs. Sandra Torres as Recording Secretary.

Chairman Hamlin welcomed members to the 83rd Annual Membership Meeting. He then introduced the persons seated at the head table and special guests seated in the audience. Mr. Hamlin then introduced the Board of Directors and Audit Committee members of Smart Financial Credit Union.

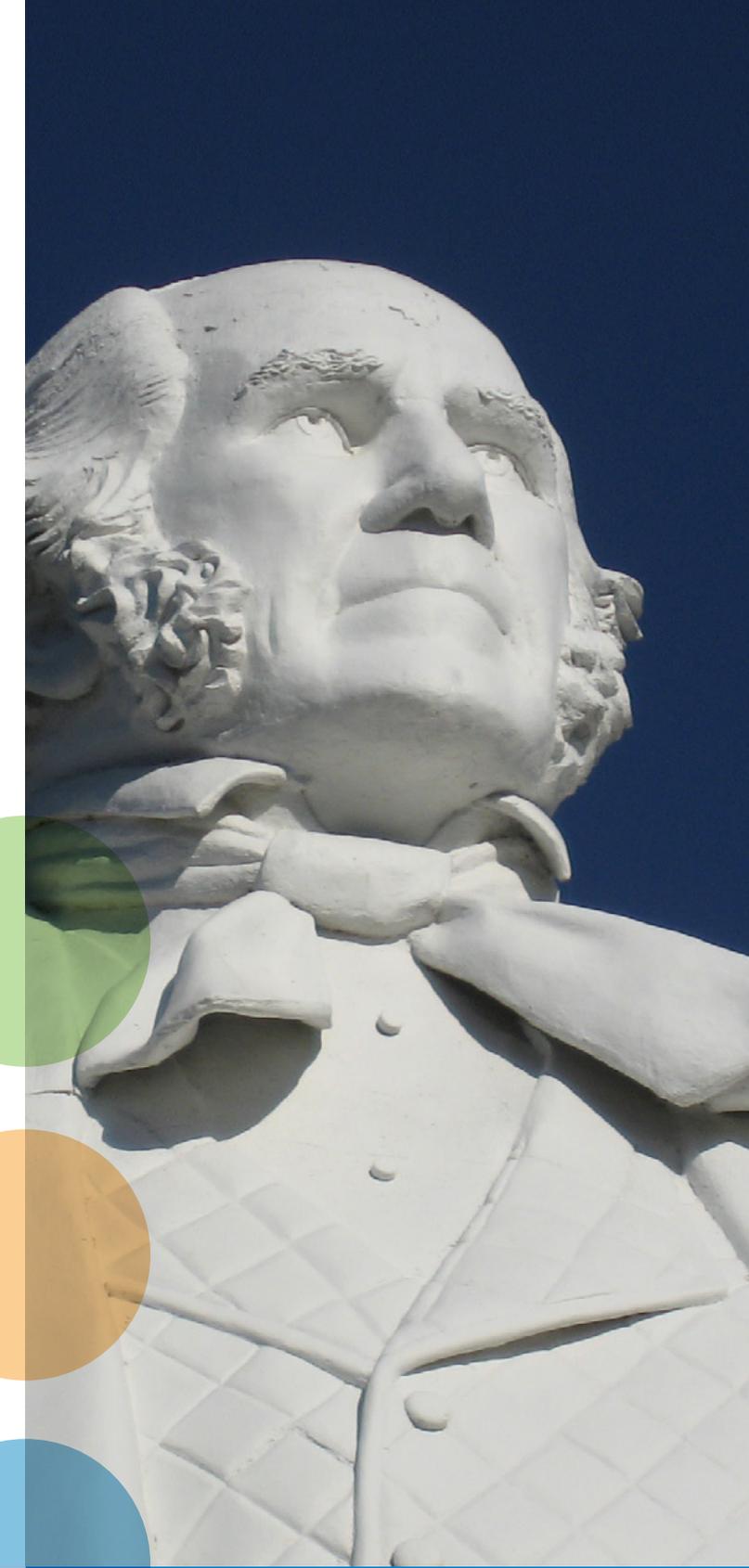
Mr. Hamlin referred to the Standing Rules as printed in the Annual Report and requested adoption of the Standing Rules as distributed. Mr. Solomon Silva moved, Ms. Ann Petrillo seconded that the Standing Rules be adopted as presented. The motion carried.

He then referred to the printed minutes of the April 7, 2016, Annual Meeting contained in the Annual Report and asked for any corrections. There were none.

Mr. Hamlin commented that it had been an honor serving as 2016 Chairman of the Board of Directors and added that he was pleased to make his annual report to the membership of Smart Financial. He then referred to his written report on page 10 and gave a few highlights on the activities in 2016.

Mr. Hamlin commented that the Board takes seriously, its fiduciary responsibility for the safety of the Credit Union's assets and the business soundness of the Credit Union. The Board does this by working with senior management on strategic direction and the development of sound policies. Also, the Board approves the operational budgets and ensures that the Credit Union complies with its Charter, bylaws and all federal and state laws and regulations.

He stated that there are currently nine members on the Board who are expected to attend monthly meetings, serve on various committees, complete various educational requirements and represent the Credit Union at community functions around the region. These duties require considerable time commitments each year. He also noted that the Board members are unpaid volunteers.



Annual Meeting Minutes cont'd

Mr. Hamlin commented that Smart Financial continued to grow its assets by \$17 million in 2016 with strong loan growth in both consumer real estate and commercial loans. Loans are one of the largest sources of income for the Credit Union which is used for operations and paying dividends to members.

A new branch in Westchase, a prime location near the corporate office, was completed and a contract for a Katy-Fulshear branch has been signed. Significant renovations also occurred at the Newcastle and Rayford branches among others. Our current growth and growth strategies for 2017 and beyond remain strong.

Smart Financial received its annual regulatory audit by the National Credit Union Administration (NCUA) and Texas Credit Union Department. Mr. Hamlin stated that he was pleased to report the auditors found our audit “boring” and awarded Smart Financial their highest rating; a testament to the hard work put into compliance by your Credit Union staff.

A major initiative came to fruition in 2016; the opening of the highly touted Smart Financial Centre. This venue has taken off like a rocket and has so far been a huge success, positively impacting our region, but also promoting the name Smart Financial across the region and beyond.

Smart Financial has been recognized in the past for its commitment and givebacks to the communities we serve. During the Thanksgiving holiday, Smart Financial partnered with ABC 13 with its highly successful “Share Your Holidays” food drive for the Houston Food Bank. Partnering with the Houston Chapter of Credit Unions, Smart Financial also participated in KHOU 11’s “Secret Santa Drive” in support of the Salvation Army. Through the Smart Financial Foundation fundraising efforts, \$120,000 was given for scholarships and other donations. These are just a few of the givebacks.

Smart Financial was named as one of the “Best Places to Work” in Houston by the Houston Chronicle, and for the fourth consecutive year as one of the “Best Companies to Work in Texas!” This is a bow to the work culture our excellent staff has created over the years.

Finally, one of the most important jobs of the Board of Directors was the replacement of the Company’s President and CEO. Mr. Gary Tuma, our long-time President and CEO decided to retire. He was with Smart Financial 26 years. Over the later part of 2014 and in 2015, the Board supervised the recruitment effort to replace Mr. Tuma. With the help of outside consulting, the

Board conducted a region-wide, targeted search drawing several hundred inquiries from all over the country. This was a testament to how well respected and well known Smart Financial Credit Union is in the industry nation-wide. After a great deal of work from the members of the Board, nine applicants, including three internal candidates, were interviewed. The result, as you know, is that Mr. Larry Seidl, an internal candidate was offered the job. The highly successful transition from Mr. Tuma to Mr. Seidl was a pleasure, thanks to both men and the staff of Smart Financial Credit Union. On behalf of the Board of Directors, I would like to thank Mr. Tuma and Mr. Seidl, management and staff of the Credit Union for such a smooth transition.

Mr. Hamlin thanked the Board for their hard work and their continued support. On behalf of the Board, management, and staff, he thanked the members for their support and membership in the Smart Financial Credit Union.

Mr. Larry Seidl, President and CEO, thanked Mr. Hamlin and welcomed the members to the 83rd Annual Membership Meeting. He then introduced the Executive Management Team and thanked them for all they do daily. Mr. Seidl asked that all employees stand and be recognized. He stated that without this team, the Board of Directors, and our incredible members, we would not be where we are today. This team is committed to our member-owners and to the outstanding communities we serve in the greater Houston area.

He stated that 2016 was an exciting, challenging year, and added that he was pleased to report another solid year for Smart Financial Credit Union. The year ended with assets growing just under \$17 million, bringing us to a new high of over \$650 million in total assets. Net income was just under \$2 million, and our net worth ratio continues to be very strong, ending the year at 9.54%, well above the 7% regulatory threshold. To get this type of growth, we produced over \$190 million in new loans to our member-owners.

Mr. Seidl shared that 2016 was another testament to Smart Financial finding ways to improve service to our loyal members. He stated that we added a new branch in the Westchase district and remodeled the drive-thru at our Newcastle facility. Areas of Houston flooded in May of 2016 and our Rayford branch, supposedly in a 200-year floodplain, received substantial damage inside and out. The facilities team and many others worked very hard to not only get this branch back up and running, but they did a total remodel and upgraded the technology to “better serve” The Woodlands community. He added that the current Kingwood branch lease would be expiring in early 2018. The owners of

Annual Meeting Minutes cont'd

the building need this space, and we are in the final stage of negotiations on a new site in the same vicinity that will be a major improvement to our branch image. He noted that we are excited about the future of this area and feel this new branch will continue to provide superior service for many years to come. Also, we have selected a new site in the Katy-Fulshear area for late 2017 to early 2018.

Mr. Seidl commented that exciting times are ahead of us when it comes to our Smart Insurance team, led by Jason Deitz. Mr. Deitz and his team offer products such as auto, home, and life insurance. Insurance products are something everyone needs at some point in their life, and we are proud and excited to offer very competitive pricing, numerous options, and superior services for our entire membership. Partnering these insurance products with our attractive auto and mortgage loan products will enhance our member's experience. He added that technology is also very important, and we will see a major upgrade to our new mobile app being launched later this year. Another area very important to us is financial education. Smart Financial has been awarded a \$15,000 grant that will be used for financial education and awareness sessions for our employees, as well as our members. These educational opportunities will soon be added to our website.

Mr. Seidl then commented how proud he was with Smart Financial being awarded Best Places to Work in Texas. These awards are possible because of the team we have at Smart Financial and the support from the Board of Directors. The combination of these volunteers and our staff has produced this award-winning culture and family atmosphere at Smart Financial.

He then thanked the members for their continued loyalty, support, and allowing Smart Financial to be their financial services provider. The Smart Financial family will continue to search for ways to improve our product and service levels for 2017 and beyond. We are all honored to be a part of this family, and we look forward to growing this Credit Union the Smart way.

Mr. Seidl then introduced Ms. Sue Rightly, Chairman of the Smart Financial Foundation.

Ms. Rightly commented that it was an honor to serve as Chairwoman of the Smart Financial Foundation. She thanked the Foundation Board members and the staff for their time and efforts.



She referred to the Annual Report on the Foundation's efforts and accomplishments in 2016.

Ms. Rightly then commented on Financial Literacy adding that for many years the Credit Union, and more recently the Foundation, has focused on reaching out and providing financial education to faculty, students and other groups that want to increase their financial awareness. The efforts ranged from providing moon jars to young children, so they could learn to save properly, to holding seminars for adults about insurance and retirement planning. In between, there have been initiatives aimed at middle and high school kids, such as Mad City Money. Mad City is a simulation where students are assigned a job, income, and family. Then they are set loose to make decisions on how much to pay for housing, transportation, food, childcare and other necessary expenses. The Foundation also arranged "Train the Trainer" events so the basic teachings of consumer finance would spread faster and farther.

Ms. Rightly stated that for 2017, the Foundation would be spearheading a monumental effort at Stafford Municipal School District that will take their financial literacy efforts to a whole new level. They have tailored programs that will be built into the curriculum at Stafford with most of the content taught by the teachers. Then, starting in high school, students will have access to an online financial academy that offers animated videos, workbooks, infographics, self-tests and more to the students. The students can progress at their pace, and in the end, they will receive a certificate of completion that satisfies the State's requirement for financial literacy education before they graduate. All of this will be provided free of charge by the Foundation.

The Smart Financial Foundation strives to change lives, improve communities and achieve dreams. Ms. Rightly commented that if anyone wanted information or to support the Foundation, please visit the Credit Union's website.

Mr. Hamlin asked if there was unfinished business from the last Annual Meeting and stated the Chair knew of none.

Annual Meeting Minutes cont'd

Mr. Hamlin turned the meeting over to Mr. Michael O'Neill, Chairman of the Nominating Committee. Mr. O'Neill explained the Election Process and then introduced the 2017 Nominating Committee members. Mr. O'Neill reported that the Committee placed the following slate of nominees before the membership for their consideration:

POSITION	NAME	LENGTH OF TERM
8	Ms. Maria Diaz (Incumbent Director)	3 years
10	Mrs. Douthulia Gardner (Incumbent Director)	3 years
	Ms. Tammie Y. Moore (Challenger #1)	
	Ms. Meltonia Thomas (Challenger #2)	
11	Mr. Jeff Hamlin (Incumbent Director)	3 years

Mr. O'Neill reported that no nominations by petition had been received for Positions Eight and Eleven; therefore, election for these positions may be held by voice vote. Mr. Chad G. Greer made a motion for election by acclamation for Positions Eight and Eleven for three-year terms. Mr. Sam Massie seconded the motion. The motion carried. Mr. O'Neill then congratulated the re-elected Board members.

Mr. O'Neill reported that there were three nominees for Position Ten and added that each nominee had up to five minutes to address the membership. Mrs. Gardner spoke first, with Ms. Moore following. Ms. Thomas addressed the membership last.

Mr. O'Neill then requested qualified members to complete their ballots and pass them for collection. Each nominee selected a neutral teller to oversee the votes. The Credit Union appointed Mrs. Loretta Wolsey, VP Risk Management & Compliance, to verify votes and report directly back to the Board.

Mr. Seidl introduced Smart Financial Resources Services providers and special guests. Mr. Urjit Patel, Senior Vice-President-Member Experience, conducted the drawings for door prizes.

Mr. Hamlin requested the election report. The teller first named, Mrs. Wolsey, addressed the Chair and read the report reflecting Mrs. Douthulia Gardner received the plurality of votes.

Mr. Hamlin announced Mrs. Gardner's election to Position Ten for a three-year term. Mr. Hamlin then congratulated Mrs. Gardner.

Mr. Hamlin called for a motion to destroy the ballots. Mr. Solomon Silva moved, Ms. Ann Petrillo seconded that the ballots be destroyed. The motion carried. Mr. Hamlin ordered that the ballots be destroyed.

Mr. Hamlin asked for any other new business, and hearing none, he expressed his appreciation to the membership for attending.

Mr. Seidl took a moment to answer questions from the membership.

The meeting adjourned at 8:30 p.m.



Report from the Chairman

For those of you who may not know me my name is Jeffrey Hamlin. I have served on your Board for over 10 years. I want to thank you for allowing me to serve as your Chairman of the Board again for 2017.

Over the past year, we have taken on many challenges one of which was Hurricane Harvey. Harvey was a devastating event for many but made the Houston community stronger than ever. As a Credit Union, we lost one branch to the flooding, but it made us explore other opportunities that will allow us to serve the Woodlands area while staying true to our Mission of Advocate, Relate, and Educate, we ARE Smart! In addition, we were able to also assist our member-owners by offering free skip a pay on their consumer loans as well as offering extensions on mortgage loans.

We also introduced our new tagline of **People, Passion and Purpose**. At Smart Financial, we are focused on people, not profits. The entire staff and Board of Directors are united in our passion to provide exceptional service and giving back to the communities we serve.

Founded by a group of teachers in 1934, education has, and will continue to be a major focus for Smart Financial. Last year, we were awarded a grant for a financial literacy program called Everfi. This program is available for our member-owners on our website under the Financial Wellness Center tab. There are 15 different classes available, from our own products to Budgeting, Investments, Identity Theft and Credit Scores/Credit Reports. When you have a moment, please go onto the web site and take a look at what we are doing in the area for yourself.

The Smart Financial team strives to create a culture that will allow every employee to enjoy coming to work and feel proud to be a part of Smart Financial. For the fourth year in a row, we were named one of the Best Companies to Work for in Texas. For the 2nd consecutive year, we were named one of Houston's top workplaces by the Houston Chronicle. Last but not least, we were again honored with the Credit Union Dora Maxwell Community Service Award. Competition is intense for these recognitions, so a round of applause for our employees, managers and executive staff.

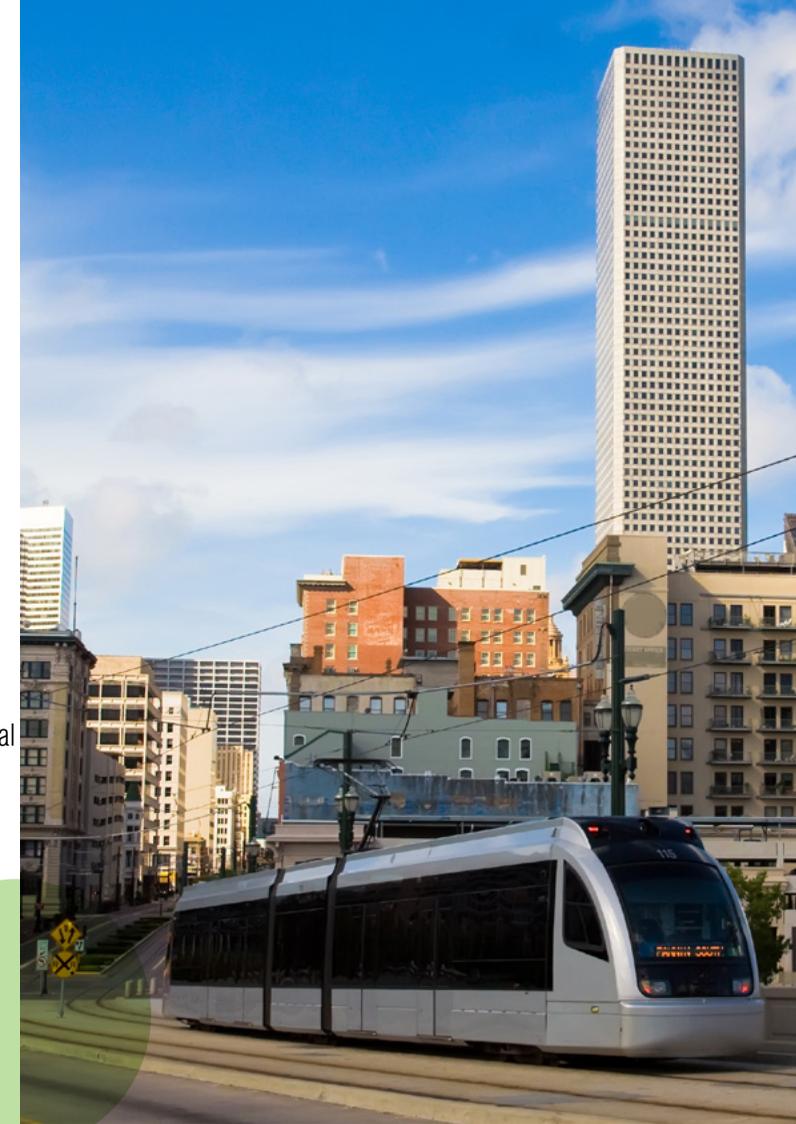
On a safety and soundness note, our 2017 Annual Regulatory Compliance examination, conducted by the NCUA and Texas Credit Union department, we received the best score possible. To give you more detail, the Credit Union was told by the Examiners that we were "boring" and the Board of Directors were not even requested to be present for the exit interview as there wasn't anything to tell us. I'll like boring in this context!

The financials for 2017 were very strong and it is an honor to say this Credit Union is very strong. As you will hear in Larry's report, 2017 was a strong year and the future is bright for Smart Financial.

Being involved in the communities we serve is one of our top priorities. Throughout the year, the Smart Financial Foundation and staff held not one, but two, Habitat for Humanity home building events. We also had a large contingent participate in the Komen Race for the Cure. These are just a couple opportunities we had to truly get out and be a part of something good in the communities we serve.

As you all know, 2017 was the first year of our sponsorship at the Smart Financial Centre at Sugar Land. The Centre hosted 127 shows in the first year and it brought over \$25MM into the economy in Sugar Land. It truly enhanced the awareness of Smart Financial in the Houston area as it helped us build a new relationship with Nabors International, one of the largest oil and gas land drilling groups in the world. It also brought us a partnership with NewFirst National Bank (yes, a bank) on mortgage and commercial related products and loans. The Centre, coupled with our focus on building relationships, will allow us to evolve into a premier financial institution and partner for years to come.

Thank you to our staff, management, my fellow Board members and you, our member-owners for making Smart Financial one of the best financial institutions in Houston. I look forward to more and exciting opportunities that 2018 will bring our way.



Report from the President

I want to welcome our member owners to the 84th Annual Membership Meeting of Smart Financial Credit Union. I would like to start by thanking the Board of Directors for all their time and continued support of the Smart Financial team. You all are the best. I would like to have our Executive team stand and be recognized. A big thank you to this fantastic team. In addition, I want the entire Smart Financial team in attendance to stand. 2017 would not have been as strong without your hard work, dedication, and caring attitudes towards the member owners as well as to your fellow employees. Let me tell you member owners, I would put this team up against any financial institution in the area. None of us are perfect, but we are working harder each day to bring a lasting, positive experience to your financial needs.

2017 is in our rear-view mirror now and it is one we will never forget. We had Hurricane Harvey that devastated the entire city and surroundings. Mother Nature wreaked havoc on the Houston communities and numerous areas are still in the rebuild process. We witnessed it with our team as we had families lose everything too. This was very unfortunate, but there was a shining light to this. We had numerous employees help tear out sheetrock, flooring, furniture and more. We had generous donations from our team, from some of our vendor partners, as well as from CU's outside the state and these proceeds were given directly to those employees and their families hit the hardest. This event proved to me that this family is one that cares for each other and not afraid to roll up their sleeves and help where needed.

As some of you may not know, we had two of our branches robbed three times within a week. Nobody was hurt physically, but it was something that will never be forgotten. The robber was apprehended, but it is a reminder that this world and our environment have definitely changed.

At our last Annual meeting, a topic of discussion was implementing ITM's in the branches. Our research shows us that branch transaction volumes have decreased by over 23% from 2015 to 2017 numbers; which equates to 246,000 less transactions. To keep our current branch network intact, ITM's are being implemented as they deliver that personal touch (our Virtual Teller team is phenomenal) that you all have been accustomed to. As I stated last year, this is also a safer way of doing business, and for staffing this area, it gives us the opportunity for the Virtual Teller team to be able to assist other areas when the ITM's are not busy. As you will see when using the machine, most of the Virtual Tellers are Tellers you have known in the past at your branch. So, earlier in 2017, I wanted to see who uses the machines, so I spent a few hours at our 2920 branch and I was amazed at the average age (yeah, my age and older) that used these machines. Not the



millennials; as they use their phone. The key is getting member owners acclimated to the concept, so our branch teams are there to not only serve your financial needs, but to teach you how to use the new technology. We want to earn ALL your business and it starts with conversations we have that will build lasting relationships. We are understanding and implementing more ways to build these relationships; and like I said earlier, we are not perfect. Bottom-line, our goal is to earn your trust, build that relationship and become your primary financial institution for years to come. In addition to the ITM's, we also had a major upgrade to our Mobile app, our Bill Pay system and Remote Deposit Capture. No longer do you have to come to a branch to deposit a check.

Now I want to highlight the financial situation of your Credit Union. We ended 2017 as a \$700MM Credit Union. Assets grew by \$50MM, deposits by \$48MM and loans by just under \$23MM. To make things even stronger for the CU, we also ended the year \$1.3MM under budget on expenses. Areas where we saved were in marketing, electricity costs for our branches, office occupancy and operations, and not having to fund the Share Insurance Fund that helps bail out CU's in trouble. Kudos to the team for these savings, but I want you to know, we try not to cut costs that affect the way we serve our members.

The new Kingwood branch will finally open next month thanks to Harvey, followed by the new Katy/Fulshear branch in a few months. A total remodel is in the works at the Wayside facility to bring it up to Smart Financial standards. We sold the Rayford branch in the Woodlands but leased back a small portion of the facility to continue to have a presence for member owners in that area.

Looking at the state of CU's in the country, we are in a wonderful position. I just attended a conference with 200 other CU's from across the country. A startling fact was that 6 days a week a Credit Union is merged with another CU. There are only around 5,500 CU's left and we will be one of them that survive. Mergers with other CU's will become a part of doing business for us, but at the end of the day, we will be the surviving CU that will truly serve the financial needs of its member owners, by building lasting relationships; one member owner at a time.

In closing, I want you all to know I am blessed to be a part of this family, and for the rest of the Smart Financial team, we are looking forward to growing this Credit Union the Smart way.

Thank you!!!

Smart Financial Foundation Chairman Report

Over the past year, it has been my privilege to serve as the Board Chairwoman of the Smart Financial Foundation. I would like to personally thank each of the Foundation Board of Directors and Foundation staff members for all their hard work and dedication this past year. Their volunteered time and insights have been instrumental within this Foundation.

I am proud to report that in 2017, the Foundation distributed more than \$120,000 back to the communities. Even more impressive is that since its inception in 2013, the Foundation has donated over \$550,000 in scholarships, grants and sponsorships, along with thousands of volunteer hours to worthy organizations.

During 2017, the Foundation increased its focus on providing the employees of Smart Financial with volunteer opportunities.

Habitat for Humanity – More than 40 Smart Financial employees had the opportunity to volunteer their time to help build a home during 2 different build days with Habitat for Humanity Northwest Harris County. The employees worked on multiple homes by hammering, painting, collecting debris and planting gardens. The Foundation partnered with the CHRISTUS Foundation for HealthCare's Mobile Clinic to provide free immunizations not only to credit union employees, but to the organizers of the Habitat build along with neighbors within the community. Habitat for Humanity is a nonprofit organization devoted to building simple, decent and affordable housing. Each house takes 350 volunteers and 2,450 volunteer hours to build.

Easter Seals - The Foundation partnered with Easter Seals of Greater Houston for their Annual Walk with Me at the Houston Zoo. The Family Fun 5k Walk helps raise awareness and resources for programs which help children and adults living with all types of disabilities. This 5k is different from any other walk because you walk side by side with the people you are helping, and it is done while walking through the Houston Zoo. 25 Smart Financial employees along with their families and friends participated in this fun and adventurous walk.

Susan G. Komen – Smart Financial participated in the Susan G. Komen® Race for the Cure. Smart Financial was greatly represented by walkers and volunteers. Over 60 people registered to participate and represent Smart Financial – which included employees, family and friends. Susan G. Komen® Houston was established in 1990 and is now the largest source of non-profit funding for breast cancer research, education, screening, and treatment in Southeast Texas.

Scholarship Programs – The Ruby Sue Clifton Scholarship program continues to make the challenge of paying for college a little bit easier for the student and their families. To date, we have awarded over \$200,000 to graduating high school students. Not only does the Foundation's scholarship programs award scholarships to graduating high students that are members, it also helps veterans trying to join the civilian workforce, students who actively participate in philanthropy efforts, medical professionals seeking to continue their education and to a school for disabled children. Because of the diversity of these Scholarship Programs, the Cornerstone Credit Union League awarded Smart Financial with the Dora Maxwell Social Responsibility Award. This award recognizes credit union efforts to strengthen local institutions and materially improve the lives of non-members through community outreach programs other than personal finance education. For the fourth year in a row, the Foundation helped Smart Financial place with the focus being on the Foundation's Scholarship Program. We would not have been able to achieve this without the generosity and support of Smart Financial and our Board of Directors.

The mission for the Smart Financial Foundation is simple – to change lives, improve communities and achieve dreams. I feel that we rose to that challenge in 2017. I am excited for the possibilities that are ahead of us and I know that the Foundation will continue to achieve great things.

Sue Doughty



Statement of Financial Position

	DEC. 31, 2017	DEC. 31, 2016
ASSETS		
Cash	\$48,834,262	\$32,410,738
Investments	197,636,446	184,902,008
Loans	402,909,421	380,038,512
Receivables	15,696	440,968
Accrued Income	1,740,576	1,586,684
Land	4,977,146	4,977,146
Building and Leasehold Improvements	18,776,491	19,107,861
Furniture and Equipment	4,174,861	4,762,692
Other Assets	21,472,554	21,926,695
TOTAL ASSETS	700,537,453	\$650,153,305
LIABILITIES		
Accounts and Drafts Payable	\$13,522,339	\$13,557,455
Other Payables	3,084,555	2,622,210
	\$16,606,894	\$16,179,665
MEMBERS' DEPOSITS		
Member Shares	\$300,048,198	\$272,559,925
Other Member Deposits	328,743,921	308,083,068
	\$628,792,119	\$580,642,993
RESERVES and UNDIVIDED EARNINGS	\$55,138,440	\$53,330,647
TOTAL LIABILITIES, MEMBER DEPOSITS, and RESERVES	\$700,537,453	\$650,153,305

As of December 31, 2017, Smart Financial Credit Union's investment portfolio included Treasury and Federal Agency Securities classified as available for sale with a book value of \$134,465,592. At December 31, 2017, these Treasury and Federal Agency Securities had a market value of \$133,647,771. The unrealized gain on these securities was included in the calculation of the Credit Union's reserves and undivided earnings.

Statement of Income & Expenses

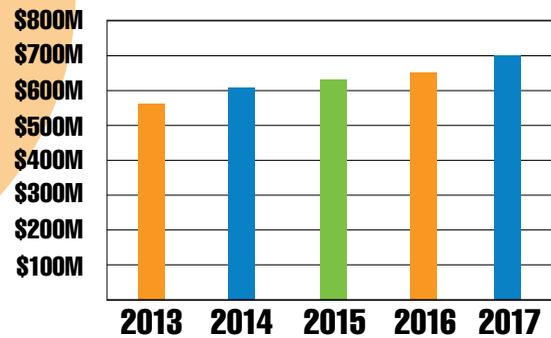
	DEC. 31, 2017	DEC. 31, 2016
INCOME		
Income on Loans	\$21,349,912	\$21,565,758
Income from Investments	2,556,549	1,773,056
Other Income	16,656,817	17,896,377
TOTAL OPERATING INCOME	\$40,563,278	\$41,235,191
EXPENSES		
Salaries and Benefits	\$18,557,549	\$18,102,779
Travel and Conference	81,926	108,877
Office Occupancy	3,210,465	3,008,167
Office Operations	5,957,629	6,157,034
Marketing	1,444,807	994,069
Loan Servicing	1,283,329	1,321,260
Professional Services	3,074,315	3,296,116
Provision for Loan Loss	3,473,655	4,717,686
Interest	-	437
Other Operating Expenses	197,643	187,840
TOTAL OPERATING EXPENSE	\$37,281,318	\$37,894,265
INCOME FROM OPERATIONS	\$3,281,959	\$3,340,926
Non-Operating Gain (Loss)	490,424	39,421
Dividends Paid to Members	1,555,022	1,477,806
NET INCOME	\$2,217,361	\$1,902,541

Smart Financial Credit Union Profile

Financial Highlights

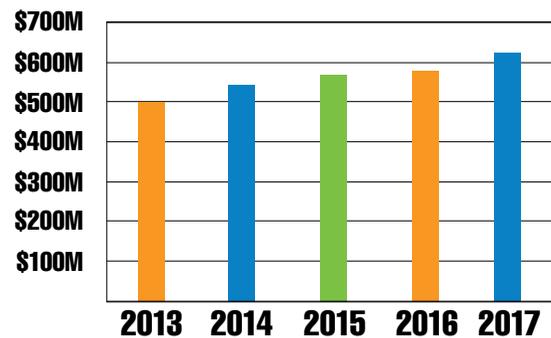
Asset Growth

2013	\$562,176,679
2014	\$608,603,691
2015	\$633,501,243
2016	\$650,153,305
2017	\$700,537,453



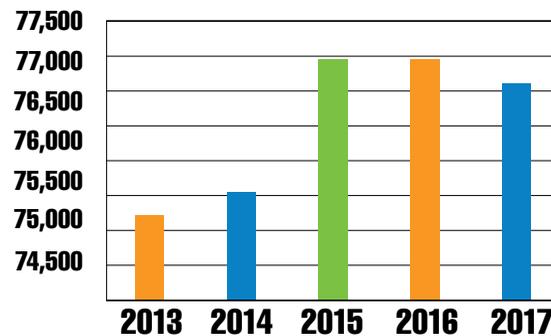
Total Deposits

2013	\$502,293,032
2014	\$546,760,354
2015	\$568,679,830
2016	\$580,642,993
2017	\$628,792,119



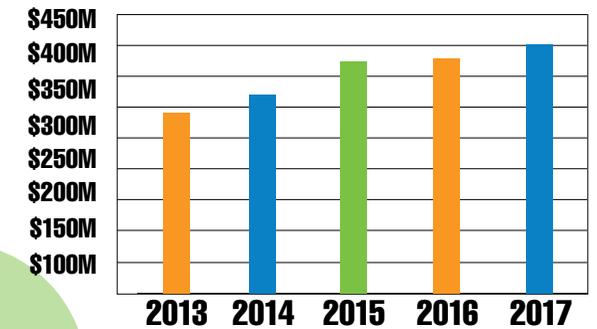
Growth in Membership

2013	75,715
2014	76,050
2015	77,946
2016	77,958
2017	77,603



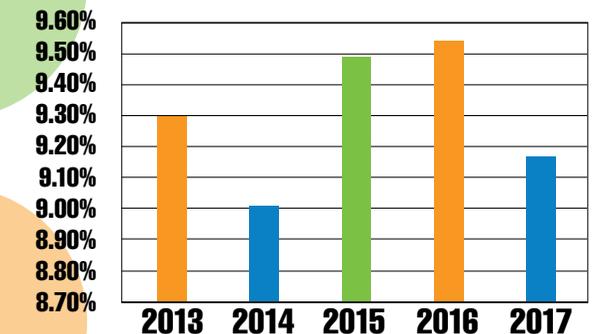
Total Loans Outstanding

2013	\$293,211,340
2014	\$321,132,419
2015	\$375,248,541
2016	\$380,038,512
2017	\$402,909,421



Net Worth Ratio

2013	9.30%
2014	9.01%
2015	9.49%
2016	9.54%
2017	9.17%



Board of Directors and Officers

BOARD OF DIRECTORS TERM ENDS OFFICERS

Mr. Jeffrey Hamlin , <i>Chairman</i>	2019
Mr. Michael O'Neill , <i>Vice Chairman</i>	2018
Mrs. Maria Diaz , <i>Treasurer</i>	2019
Mr. Chad G. Greer , <i>Secretary</i>	2017
Mrs. Douthulia Gardner , <i>Director</i>	2019
Mr. Larry Frazier , <i>Director</i>	2017
Mr. Samuel Massie , <i>Director</i>	2018
Dr. Jane K. Silva , <i>Director</i>	2017
Dr. William A. Young, Jr. , <i>Director</i>	2017

AUDIT COMMITTEE

Ms. Ann Petrillo , <i>Chairman</i>
Ms. Lena Gilmore , <i>Member</i>
Mr. Jerold Johnson , <i>Member</i>
Mrs. Diana Carrion , <i>Member</i>

Larry Seidl , <i>Chief Executive Officer</i>
LeAnn Kaczynski , <i>Executive Vice-President</i>
Jason Deitz , <i>President Smart Financial Resources/Smart Financial Foundation</i>
Angela Chan , <i>SVP Chief Financial Officer</i>
Jeffrey Keene , <i>SVP Chief Lending Officer</i>
Urjit Patel , <i>SVP Member Experience</i>
Michael Piwetz , <i>SVP Chief Information Officer</i>
Preston Price , <i>VP Commercial Services</i>
Darcy Stephens , <i>VP Human Resources</i>
Corbin Wilson , <i>VP Technology and Innovation</i>
Loretta Wolsey , <i>VP Risk Management & Compliance</i>
Angela Aguirre , <i>VP Lending Sales</i>
Susan Chapman , <i>VP Community Engagement</i>
Ray Finnegan , <i>VP Facilities and Technical Operations</i>
Brad Hardy , <i>VP Retail Experience</i>
Sean Price , <i>VP Lending Operations</i>
Sandra Robertson , <i>VP Collections</i>
Nancy Schwind , <i>VP Central Operations</i>
Tricia Smith , <i>VP Lending Services</i>
Sandra Torres , <i>VP Board Services / Assistant to CEO</i>

Fee Schedule Changes

Loan Accounts - All Loan Accounts (Unless otherwise listed)

Loan Late Charge - 5% of monthly installment or payment amount if 10 or more days late (minimum of \$5, maximum of \$30)

Collection Agency- all costs of collecting the amount you owe including court costs

Collection Attorney Costs- all costs of collecting the amount you owe including court costs and reasonable attorney fees

Returned Check - \$30 if a check is returned on a loan payment

Application Fee (After 3 Denials Within a 12 Month Period) - \$25

Statement Copied - \$5 each

Transaction History (up to 90 days) - \$5 each

Document Copied - \$5 each

Balance Inquiry - \$5 each (free through SmartLine)

Telephone Transfer - \$5 each (free through SmartLine)

Loan Payoff Letter - \$5

Skip-a-payment and extension fee - \$25

Loan Rewrite Fee (Auto, Boat, Motorcycle, Signature, and Single Payment Loans) - \$25

CreditLine (Revolving Line of Credit)

Application Fee - \$25

All Credit Cards (Classic MasterCard discontinued 05-01-13 and Secured Classic MasterCard discontinued 05-01-13)

Returned Check Fee- \$25 if a check is returned

Secured MasterCard Annual Fee - \$25 - (No Annual

Fee on Classic and Platinum Credit Cards)

Minimum Finance Charge - not applicable

Currency Conversion Fee - 1% of transaction amount

Balance Transfer Fee (iQ Points Reward Card only)- 3% Fee on Balance Transfer Amount

Currency Conversion Fee (iQ Points Reward Card only)- 3% on all foreign denominated purchases.

MasterCard/Via fees may still apply

Transaction Fee for Purchases - not applicable

Transaction Fee for Cash Advances - not applicable

Transaction Fee for Cash Advances (iQ Points Reward Card Only) - 3% Fee for each Transaction

Late Payment Fee - 5% of minimum payment , amount maximum \$25

Card Replacement fee - \$10 (iQ Points Reward Card only)

TRUTH-IN-SAVINGS FEE SCHEDULE

Share (Savings) Accounts / Smart Share Savings
Withdrawals - Two (2) FREE per calendar month, thereafter - \$2 each (waived with deposits \$3,000+)

Money Market Accounts

Minimum Balance - \$10 per month - with balance below \$2,500 (Money Market Plus account only)

Excessive Transfer Fee (after 6 transactions per month) - \$10 per item

Insufficient Check (NSF) - \$30 per item

Checking Accounts

Insufficient Check (NSF) - \$30 per item (paid or unpaid)

Insufficient Debit MasterCard Transaction - \$30 each (Charges over \$10)

Temporary Checks (8) - \$8 (starter checks are FREE)

Stop Payment Order Per Series of 25 Checks - \$30

Check Printing Fees May Vary

Overdraft Protection Draw Fee (transfers over \$10 per day only) - \$2

Smart Select Checking*

Monthly Service Charge - \$12
Waived if Direct Deposit > \$1000 per month.
Waived if age < \$25

Smart Choice Checking*

Monthly Service Charge - \$10.
Waived if Direct Deposit > \$500 per month.
Waived if age < \$25

Freedom Checking (No longer offered)*

Monthly Service Charge - None with direct deposit.
\$12 per month fee with no direct deposit.

Primary Checking (No longer offered)*

Minimum Daily Balance to avoid Monthly Service Charge - \$400
Monthly Service Charge - \$4 per month

Superior Checking (Interest Bearing) (No longer offered)*

Minimum Average Daily Balance to Avoid Monthly Service Charge - \$1,000 or 55+ years of age
Monthly Service Charge - \$10

No Check Checking (Special Account for Veteran's enrolled in program at Veteran's Hospital)

Monthly Service Charge - \$5

Smart Scholars Checking

Monthly Service Charge - None

IRA

Closing/Transfer Out - \$10

Debit MasterCard/ATM Card Services

Transaction with a SFCU Card at SFCU owned ATMs - FREE

Transactions with SFCU Card at other ATM locations - \$2 each

Replacement Debit MasterCard/ATM card - \$5 each

Surcharge (terminal fee) free ATMs - Credit

Union Friendly Network locations

Currency Conversion Fee (Debit MasterCard

Transactions)- 1% of transaction amount

Safe Deposit Boxes

Key Deposit - \$25
Box Size 3" x 5" - \$25 annually
Box Size 3" x 10" - \$40 annually
Box Size 5" x 10" - \$60 annually
Box Size 10" x 10" - \$95 annually

Other Service Fees (applicable to all accounts)

Account Inquiry/Transaction by phone - \$5 each or FREE through Virtual Branch, SmartLine & Mobile Banking

Cashier Checks - \$5

Cashier Checks (On Us Check Conversion) - \$5

Closed Membership/Account (within the first 6 months) - \$25

Coin Sorter (except 16 years of age and under) - 5% of amount sorted

Collection Items - Domestic \$20 each, Foreign \$30 each

Document Copied - \$5 each

Inactive Account - \$10 per month (excluding minor, custodial, and CAP)

Incorrect Address - \$10

Insufficient ACH Debit - \$30 each

Insufficient Debit MasterCard Transaction - \$30 each

Lost Title Fee - \$25

Money Orders - \$2 each

Notary Services (Non-Member) - \$6

Overnight Delivery - \$25

Paid Check Copy - \$5 each

Return Deposit Item from Member Account on Another Institution - \$30

Returned Deposit Item - \$30 per item

Statement Copy - \$5 each or FREE through

Virtual Branch & mobile banking

Stop Payment Order ACH Fee - \$30 each

Stop Payment Order Check (Branch or Phone) - \$30 each

Stop Payment Order Check (Online) - \$30 each

Tax Levies and Garnishments - \$50

Transaction History (90 days) - \$5 each

Verification of Deposit (written - other than SFCU mortgage) - \$15

Wire Transfers - Outgoing Domestic \$20 each, International \$40 each

*Fees and Charges Added or Changed in 2017.

Branch Locations

- **Newcastle**
4605 Southwest Freeway, Suite 100
Houston, Texas 77027
- **Westchase**
5840 W. Sam Houston Parkway, Suite 100
Houston, TX 77072
- **FM 1960**
520 FM 1960 East (at Imperial Valley)
Houston, Texas 77073
- **Conroe**
520 FM 1960 East (at Imperial Valley)
Houston, Texas 77073
- **Wayside**
4411 South Wayside Drive
Houston, Texas 77087
- **Kingwood**
1120 Kingwood Drive
Kingwood, Texas 77339
- **Pearland**
10201 Broadway Street, Suite 117
Pearland, TX 77584
- **North Loop**
2510 North Loop West
Houston, Texas 77092
- **Sugar Land**
9810 Highway 90A
Sugar Land, Texas 77478
- **Rayford**
602 Rayford Road
Spring, Texas 77386

Outlet Locations

- **Debakey VA Medical Center**
2002 Holcombe Blvd (1st floor), Houston, Texas 77030
- **CHRISTUS St. Elizabeth (Beaumont)**
2900 North Street, Suite 402
Beaumont, Texas 77702
- **St. Joseph Medical Center**
1315 St. Joseph Parkway, Suite 302
Houston, Texas 77002
- **Stafford High School**
1625 Staffordshire Rd.
Stafford, TX 77477
- **Lamar High School**
3325 Westheimer Rd,
Houston, TX 77098

● PEOPLE ♥ PASSION ◆ PURPOSE

smart  **financial**
CREDIT UNION

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713-850-1600 or 1-800-392-5084
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