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CODE

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ANNUAL REPORT

2023



smart:financial

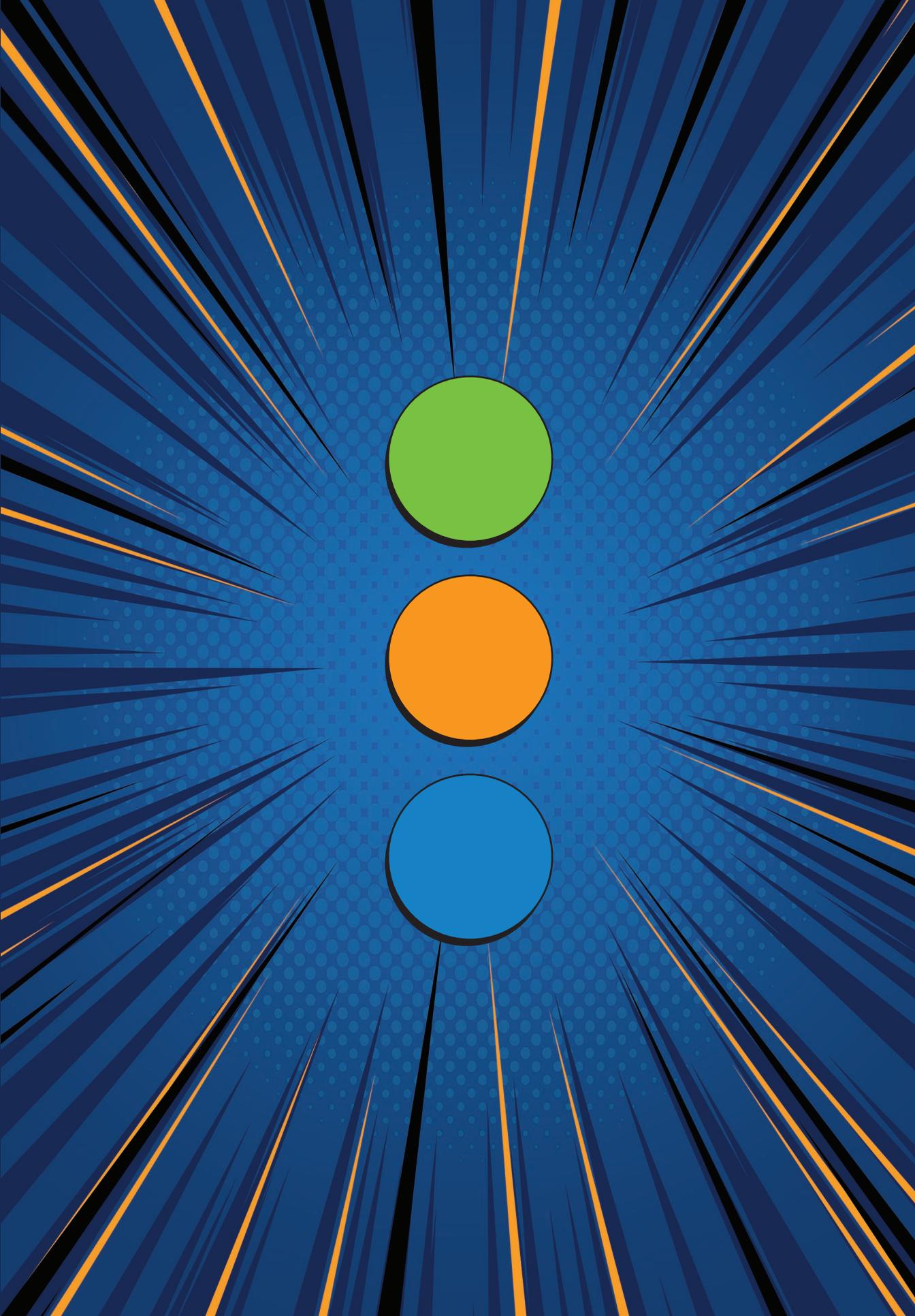


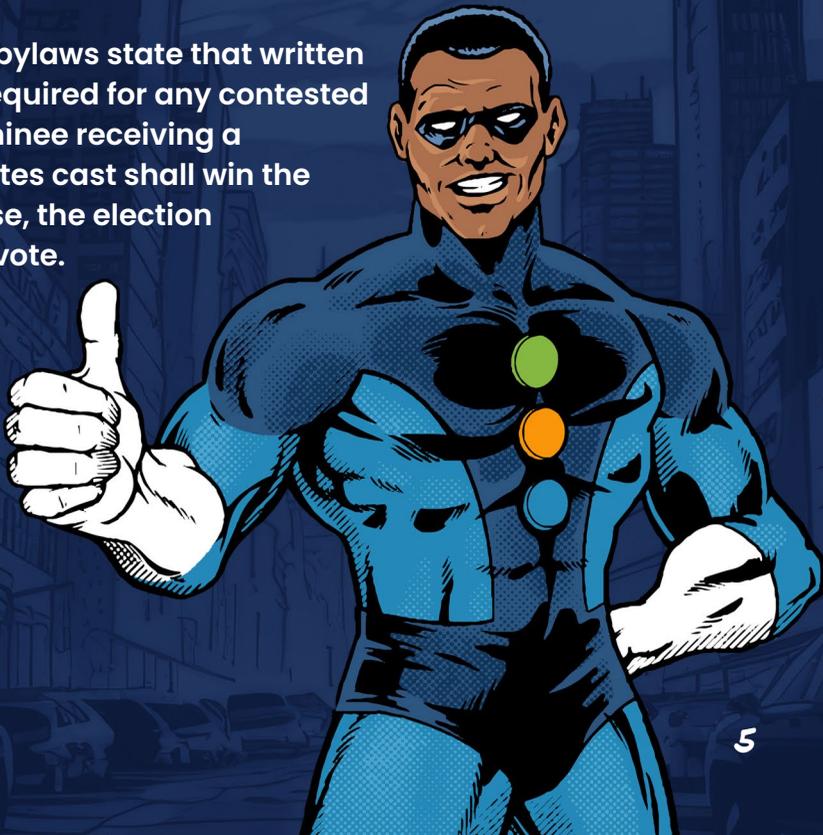
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STANDING RULES

- I. Robert 's Rules of Order 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.



89th Annual Meeting Minutes

April 6, 2023

The Annual Meeting of Smart Financial Credit Union members was called to order by the Chair of the Board, Mr. Chad Greer, on Thursday, April 6, 2023, at 6:04 p.m. at Smart Financial Credit Union, 6051 North Course Drive, Houston, Texas.

The invocation was given by Mr. Timothy Raffield. The Chair confirmed the presence of a quorum and designated Ms. Sandra Torres as Recording Secretary. Ms. Teri Mathis fulfilled the role of Parliamentarian.

Chad Greer welcomed the members to the 89th Annual Membership Meeting. He then introduced the Board of Directors and Audit Committee members.

Mr. Greer referred to the Standing Rules that were included in the Annual Report. He then requested that the Standing Rules be adopted. Mr. Michael O'Neill made a motion to adopt the Standing Rules as they were presented, which was seconded by Mr. Timothy Raffield. The motion passed.

Mr. Greer then referred to the printed minutes of the April 7, 2022, Annual Meeting in the Annual Report and requested any necessary corrections. Mr. Jeffrey Hamlin motioned to approve the minutes as presented, which was seconded by Mr. Michael O'Neill. Carried.

Mr. Greer again extended a warm welcome to the 89th Annual Meeting of Smart Financial Credit Union. He noted the Credit Union was founded 89 years ago by Houston public school teachers and has undergone name changes over time. With a current membership of over 70,000 and assets exceeding \$858MM, Smart Financial Credit Union has grown significantly and now operates in 14 branches.

He expressed his immense pride in having served as the Chair of the Board of Directors for the past year. He also expressed his pleasure in meeting in person after two years of virtual meetings caused by the COVID pandemic.

Mr. Greer stated that 2022 was a year filled with challenges; however, we managed to end the year with strong operating performance. He emphasized that Smart Financial is a credit union with a solid financial standing that has stood the test of time. Smart Financial's stability allowed us to provide our members with competitive deposit and loan rates, low fees, and a robust branch network.

He announced that the Credit Union's Board of Directors has selected Ms. LeAnn Kaczynski to serve as the new President and CEO. With over 18 years of dedicated service to the Credit Union, Ms. Kaczynski is well-positioned to lead the organization into the future. The Board is excited about the prospects of the Credit Union under her leadership.

Mr. Greer stated that Smart Financial Credit Union is dedicated to supporting the community and improving the financial well-being of its members through the efforts of the Smart Financial Foundation. The Foundation maintains partnerships with local charities as part of its community outreach and provides scholarships to the area's high school seniors. The Foundation also contributes to volunteer efforts and resources that positively impact communities. Mr. Greer emphasized that supporting the community and shaping the lives of children are crucial aspects of being a prominent financial institution.

He then commented that the Smart Financial Credit Union Board of Directors would like to express gratitude towards the remarkable leaders and professionals in the management team and the outstanding employees who provide exceptional service to the members. Moreover, he expressed their appreciation to the members for entrusting Smart Financial with their financial needs despite having many other choices of financial service providers.

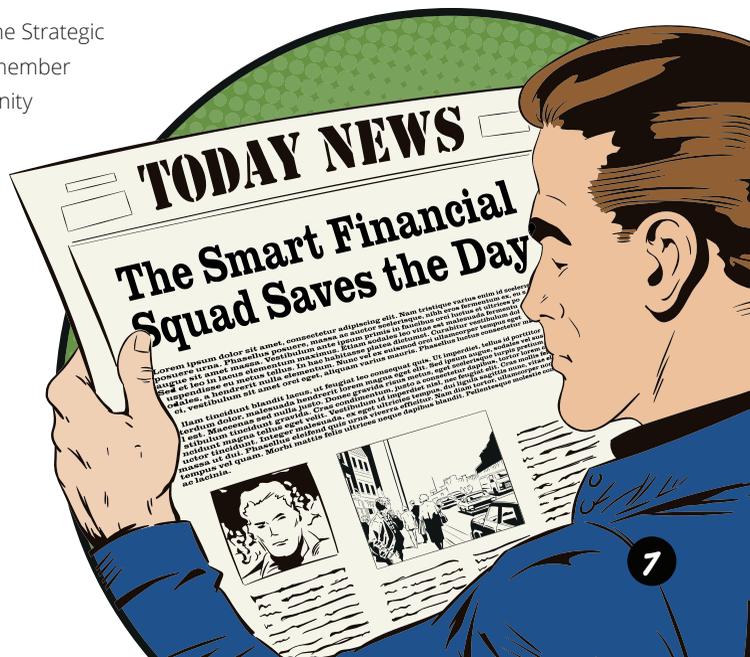
In his concluding statement, Mr. Greer expressed that the Board of Directors, management, and employees are committed to putting in their best efforts to make Smart Financial Credit Union perform at its best.

The CEO of Smart Financial Credit Union, Ms. LeAnn Kaczynski, warmly greeted all attendees, including the members, Board of Directors, Audit Committee, and employees, at the 89th Annual Membership Meeting.

Ms. Kaczynski shared her 30-year experience in the credit industry, starting as a teller after earning her MBA. She talked about her 18-year tenure at Smart Financial and her first year as CEO.

Ms. Kaczynski shared that the Credit Union had strong net income of over \$5 million in 2022. She mentioned that assets were slightly lower due to the draw-down of the COVID stimulus, which had previously caused an increase in deposits in 2021. Additionally, she discussed the impact of inflation on spending and suggested continued tightening in liquidity and then reassured everyone that access to maturing investments and Lines of Credit (LOC) would be available if necessary. Ms. Kaczynski also noted that our Net Worth Ratio was solid at 9.46%, well above the required 7% for being well-capitalized. Ms. Kaczynski explained to the members why our Credit Union is different than banks like SVB. Ms. Kaczynski announced there would be an opportunity to ask questions after the meeting.

Ms. Kaczynski shared our Strategic Drivers from the Strategic Plan and shared her thoughts on enhancing our member engagement, employee engagement, and community engagement. She emphasized the importance of building stronger relationships to increase brand recognition and trust and strengthen financial stability.



89th Annual Meeting

Minutes cont'd

She then discussed the advancements made in 2022 such as the implementation of digital wallets as well as the redesign of our website. In addition, she commented on the establishment of the new Pearland Branch, the evaluation of our core technology provider to improve our services, and the establishment of our new partnerships with Houston Children's Charity and Houston Sports Authority to better serve our community.

Ms. Kaczynski expressed her gratitude to the Board of Directors for trusting her leadership and thanked the employees for their hard work. She also extended her appreciation to the Smart Financial Credit Union members for their support.

Ms. Shana Scott expressed her gratitude for the privilege and honor of serving as Vice President of Community Relations and Executive Director of the Smart Financial Foundation. She thanked the Foundation's President, Jeff Hamlin, and Smart Financial's CEO, LeAnn Kaczynski, for entrusting her with this opportunity. Additionally, Ms. Scott expressed her appreciation to the Foundation's Board of Directors for their dedication to advancing the Smart Financial Foundation over the past year. Their time and effort have been crucial to the Foundation's success.

Ms. Scott then stated that the Foundation has remained dedicated to the communities it serves by providing over \$46,000 in donations and sponsorships. She also mentioned that during the spring semester, the Smart Financial Foundation granted three \$5,000 scholarships, and our scholarship program has awarded more than \$260,000 to graduating high school students. Moreover, last year, Smart Financial employees dedicated approximately 4,000 volunteer hours to the community, and our employees donated over \$9,000 to support the Foundation's efforts. Ms. Scott emphasized that the Foundation remains committed to changing lives, improving communities, and achieving dreams.

In her final statement, Ms. Scott shared that we have already begun preparation for our 2023 volunteer programs and fundraising events. She expressed her positive outlook for what this year has in store. The Smart Financial Foundation is committed to creating a long-lasting impact in the communities we serve.

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

Mr. Greer then turned the meeting over to Dr. Robert Bostic, Chairman of the Nominating Committee. Dr. Bostic explained the Election Process and introduced the additional 2022-2023 Nominating Committee members, Ms. Sue Rightly and Fre'Etta Brooks. Dr. Bostic reported that the Committee placed the following slate of nominees before the membership for their consideration:

POSITION	NAME	LENGTH OF TERM
8	Mr. Tim Raffield (Incumbent Director)	3 Years
10	Ms. Douthulia Gardner (Incumbent Director)	3 Years
11	Mr. Jeffrey Hamlin (Incumbent Director)	3 Years

Dr. Bostic reported that no nominations by petition had been received for Position 8, Position 10, and Position 11. Therefore, the election for these positions may be held by voice vote. Mr. Michael O'Neill motioned for election by acclamation for three-year terms for Position 8, Position 10, and Position 11. Dr. Jane Silva seconded the motion. The motion carried. Dr. Bostic then congratulated Mr. Raffield, Ms. Gardner, and Mr. Hamlin.

Mr. Greer commented on Smart Financial affiliates attending the Annual Meeting: Smart Insurance Group, Smart Auto Direct, Smart Financial Commercial Services, Smart Financial Mortgage Services, and Smart Financial Foundation, and added for more information, visit smartcu.org.

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

The meeting adjourned at 6:32 p.m.



Mr. Chad G. Greer

Chairman, Board of Directors



Mr. Tim Raffield

Secretary, Board of Directors

Report From the Chair of the Board

I am honored to serve as the Chair of the Board for Smart Financial Credit Union and to provide this year's update on the state of our credit union as outlined in our 90th Annual Report.

Think about that for a moment... Our credit union has been here for our members for ninety years. That is something that we should all be proud of, especially in today's world. Throughout our history, we have navigated rough waters by maintaining our steadfast commitment to remain financially strong and serve our members with competitive loan and deposit rates, low fees, and to provide access to a branch network spanning several Houston-area counties.

Our main purpose as a credit union is to be a trusted financial advisor to our members. We are offering a lifelong commitment to be there when they need us the most. While the ways that we meet our members' needs has and will change over the years, our commitment to doing so will not. Our CEO will talk more on this topic in her report.

2024 was a good solid year from a financial perspective. We finished the year with approximately \$850 million in assets and \$3 million in net income. Our net worth ratio of 9.79% of assets continues to exceed the 7% minimum to be considered well capitalized by our regulators. The state of our credit union is strong.

In addition to maintaining financial stability and working diligently to meet the needs of our diverse members, the team at Smart Financial Credit Union is also committed to being stewards of goodwill in our communities. That is why we formed our own foundation, Smart Financial Credit Union Foundation in 2013.





Over the course of the past year, numerous community initiatives were launched through our partnerships with the Final Four and Houston Children's Charities. Overall, 650 volunteer hours by Smart Financial Credit Union employees benefited our communities. Some of the activities we proudly supported were: reading books to underprivileged children, refurbishing a women's shelter, refurbishing an inner-city basketball court, and assembling beds for disadvantaged children. Finally, we purchased a wheelchair-accessible van for a child in need and provided scholarships to high school seniors. At Smart Financial Credit Union, we are about people helping people, not profits.

As we look forward to 2024, we aim to meet our members' needs and offer innovative, convenient products and services that make their lives easier. All of us at Smart Financial—the board of directors, management, and staff—thank you for your loyalty and membership.



Chad A. Greer

Mr. Chad G. Greer

Chair of the Board

Report From the President and Chief Executive Officer

I want to extend a warm welcome to our members, Board of Directors, Audit Committee members and employees to the 90th Annual Membership Meeting of Smart Financial Credit Union.

2023 was another solid year for our company. Smart Financial ended the year with approximately \$850 million in assets and \$3 million in net income. Our Net Worth equity position of 9.79% of assets continues to be well in excess of the 7% minimum that our regulator considers to be well-capitalized. Total loans outstanding grew nearly \$68 million over 2022 levels. Commercial lending efforts contributed a significant portion of that growth. This line of business continues to be a strong source of revenue as well as a solid investment made in our membership and the communities that we serve. Both Consumer and Mortgage loan lending activity was extremely robust as well. Total Deposits, however, shrunk by just over \$56 million. This phenomenon is not unique to us. Our industry is experiencing a decline in deposits as pandemic stimulus runs off and members are spending more due to the effects of inflation on household budgets. Some folks are also chasing higher rates in the online realm where institutions can pay higher rates because they don't have branch infrastructure to pay for.

From a strategic standpoint, we remain focused on our four strategic drivers of: Member Engagement; Employee Engagement; Community Engagement and Trust and Financial Stability. We allocate resources and make investments primarily to move the needle in those areas.

Technology continues to play a prominent role in serving our membership. 67% of all transactions initiated by our members last year were completed via online and mobile. We also had a significant number of interactions handled by our Call Center and audio response system. Since we made multiple investments in our online and mobile platform in 2022, in 2023 we upgraded our phone system and deployed new Call Center technology that will allow us to streamline operations and improve that member experience as well. More to come on both fronts in 2024.

For our traditionalist members, we built a new location at Spring Marketplace and relocated our leased FM 2920 branch to that new site providing better accessibility for existing members and a better location to attract new members. We also began the renovation of our Sugar Land location to convert the teller line to Integrated Teller Machines as our in-person teller transactions continue to decline across the enterprise. In-person teller transactions are down by over 54% from pre-pandemic levels. It is just not economically feasible nor engaging to pay tellers to stand idle behind teller lines for 70% of their day.



Balancing the desires of our long-term traditional members with the needs of an ever-growing tech-savvy population poses a considerable challenge. I know some of our long-term members would prefer to keep things the way they were a decade ago. To be honest, some days so would I. Unfortunately, if our credit union is going to survive and thrive in the future we need to adapt and change with the needs of the marketplace. Our members have many options for banking services today and it is no small feat for us to stay relevant. Thankfully, we have loyal members, visionary Directors and a strong management team and employee base to propel us forward. If we stay “smart” and keep investing in our formula for success I’m confident that we will be here to serve future generations of Smart Financial Credit Union members.

I look forward to reporting next year and the many exciting initiatives coming to fruition in 2024. Stay tuned and thank you all for your continued support of your credit union.



LeAnn Kaczynski

LeAnn Kaczynski

President & Chief Executive Officer

New Business Report From the Nominating Committee and Election of Directors

Positions for Election

Position 1	Mr. Chad G. Greer	Incumbent
Position 3	Ms. Tammie Y. Moore	Incumbent
Position 4	Mr. Larry Frazier	Incumbent
Position 5	Ms. Diana Carrion	Incumbent
Position 6	Dr. Robert Bostic	Open

No nominations by petition were received for Position 1, 3, 4, 5, and 6; therefore, the election for this position will be confirmed.



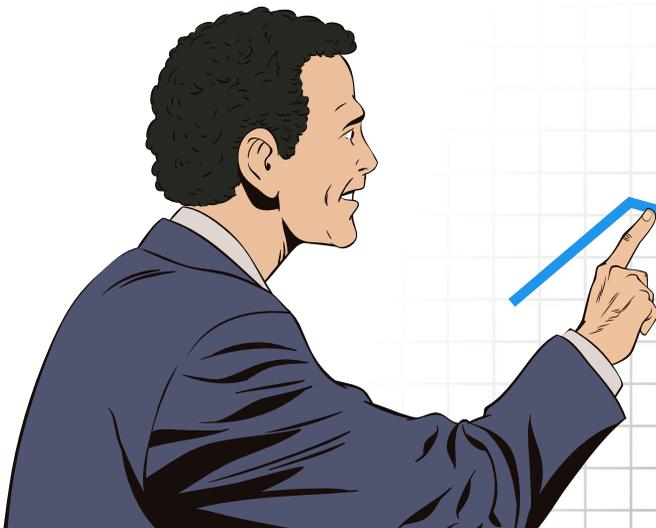
NURSES ARE HERE
TO SAVE THE DAY!

Statement of Financial Position

	DEC 31, 2023	DEC 31, 2022
ASSETS		
Cash	\$46,148,990	\$24,873,269
Investments	\$199,783,063	\$289,799,847
Loans	\$524,854,380	\$459,503,113
Receivables	\$375,919	\$5,572,943
Accrued Income	\$2,505,475	\$2,054,053
Land	\$9,542,298	\$9,542,298
Building and Leasehold Improvements	\$25,450,499	\$24,767,437
Furniture and Equipment	\$2,468,109	\$2,041,263
Other Assets	\$37,522,530	\$40,500,684
TOTAL ASSETS	\$848,651,263	\$858,654,907
LIABILITIES		
Accounts and Drafts Payable	\$53,146,940	\$15,296,426
Other Payables	\$4,396,733	\$4,218,412
	\$57,543,673	\$19,514,838
MEMBERS' DEPOSITS		
Member Shares	\$358,913,052	\$401,603,418
Other Member Deposits	\$360,073,124	\$373,581,374
	\$718,986,176	\$775,184,792
RESERVES and UNDIVIDED EARNINGS	\$72,121,414	\$63,955,277
TOTAL LIABILITIES, MEMBER DEPOSITS, and RESERVES	\$848,651,263	\$858,654,907

Statement of Income and Expenses

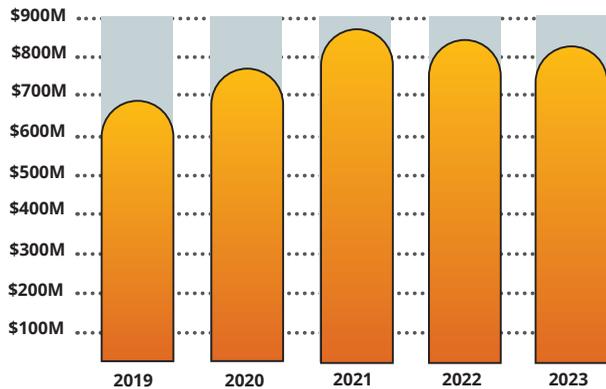
	DEC 31, 2023	DEC 31, 2022
INCOME		
Income on Loans	\$25,093,574	\$18,800,069
Income from Investments	\$6,596,804	\$3,549,995
Other Income	\$13,228,768	\$14,641,157
TOTAL OPERATING INCOME	\$44,919,146	\$36,991,220
EXPENSES		
Salaries and Benefits	\$17,956,726	\$17,407,786
Travel and Conference	\$56,360	\$36,542
Office Occupancy	\$3,950,449	\$3,536,159
Office Operations	\$5,578,238	\$5,114,923
Marketing	\$1,214,658	\$1,003,291
Loan Servicing	\$1,022,676	\$1,426,991
Professional Services	\$3,717,688	\$2,493,630
Provision for Loan Loss	\$571,933	\$(609,367)
Interest	\$3,479,213	\$953
Other Operating Expenses	\$159,810	\$133,663
TOTAL OPERATING EXPENSE	\$37,707,752	\$30,544,572
INCOME FROM OPERATIONS	\$7,211,394	\$6,446,649
Non-Operating Gain (Loss)	\$(35,138)	\$51,777
Dividends Paid to Members	\$4,112,478	\$1,466,652
NET INCOME	\$3,063,778	\$5,031,774



Smart Financial Credit Union Profile

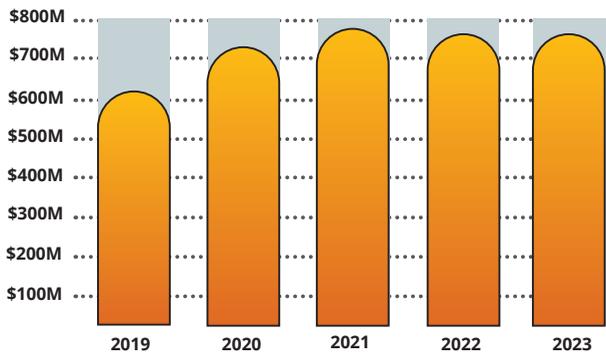
Total Assets

2019	\$699,800,652
2020	\$785,624,760
2021	\$863,409,315
2022	\$858,654,907
2023	\$848,651,263



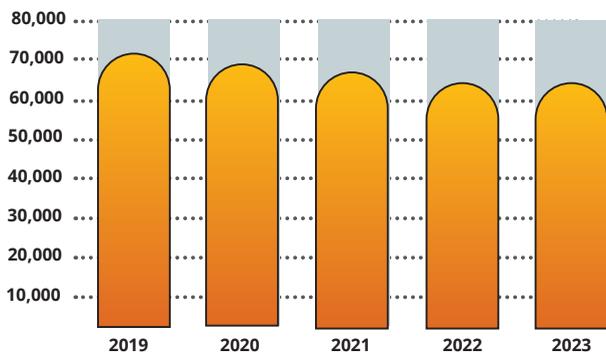
Total Deposits

2019	\$620,616,355
2020	\$712,902,130
2021	\$780,329,791
2022	\$775,184,792
2023	\$718,986,176



Membership Size

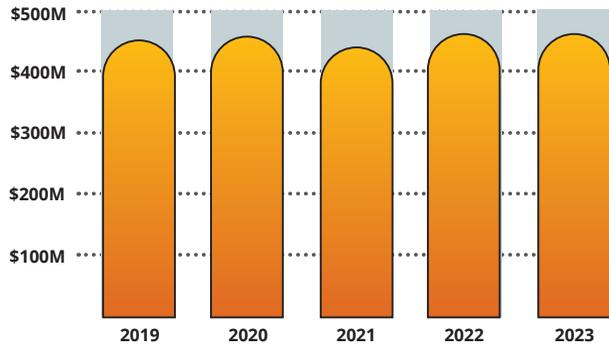
2019	71,554
2020	69,862
2021	68,277
2022	63,957
2023	62,668



Financial Highlights

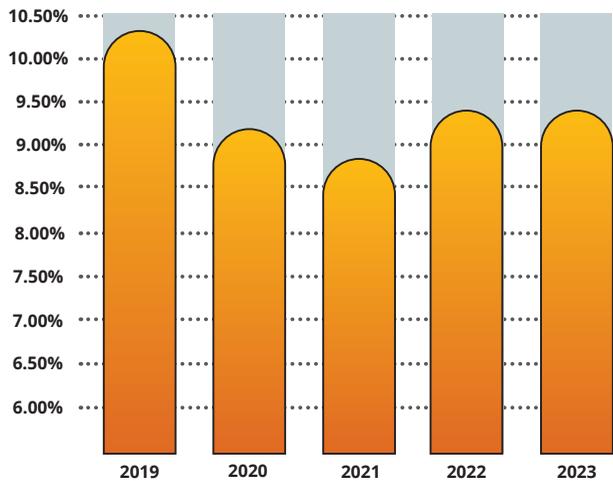
Total Loans

2019	\$460,382,429
2020	\$445,549,424
2021	\$424,193,972
2022	\$459,503,113
2023	\$524,854,380



Net Worth Ratio

2019	10.37%
2020	9.19%
2021	8.83%
2022	9.46%
2023	9.57%



Board of Directors

Board of Directors Fees

The Board of Directors are compensated for their time according to the below schedule:

Director Fees paid in 2023 were \$70,500; and \$81,000 is scheduled (budgeted) for 2024.

BOARD OF DIRECTORS

TERM ENDS

AUDIT COMMITTEE

Mr. Chad G. Greer,
Chair

2023

Ms. Douthulia Gardner, *Chair*

Mr. Jerold Johnson, *Secretary*

Ms. Tammie Moore,
Vice Chair

2023

Mr. Mike Childers, *Member*

Ms. Tamara Jean Cubit, *Member*

Mr. Timothy Raffield,
Secretary

2025

Ms. Mackenzie Rychlik Ellis, *Member*

Ms. Diana Carrion,
Treasurer

2023

Mr. Larry Frazier,
Director

2023

Mrs. Douthulia Gardner,
Director

2025

Mr. Jeffrey Hamlin,
Director

2025

Mr. Michael O'Neill,
Director

2024

Officers

SENIOR MANAGEMENT

APPOINTMENT DATE

LeAnn Kaczynski , <i>President & Chief Executive Officer</i>	2022
Angela Chan , <i>Executive Vice President & Chief Financial Officer</i>	2022
Marcus Manning , <i>Chief Information Officer</i>	2021
Sean Price , <i>Chief Lending Officer</i>	2023
Julio Roman , <i>Chief Risk Officer</i>	2022
Corbin Wilson , <i>Chief Marketing Officer</i>	2020
Brian Ziemba , <i>Chief Credit Officer</i>	2021
Chris Conway , <i>SVP Enterprise Operations / COO</i>	2023
Angela Aguirre , <i>SVP Relationship Development</i>	2023
Caire Humphrey , <i>SVP Relationship Management</i>	2023
Andrea Bain , <i>VP Compliance & Risk Management</i>	2022
Adrienne Brown , <i>VP Enterprise Operations</i>	2022
Reginald Chambers , <i>VP Commercial Relationship Development</i>	2023
Ray Finnegan , <i>VP Logistics & Security</i>	2013
Cynthia Galindo , <i>VP Technology Operations</i>	2021
Luis Garcia , <i>VP Commercial Credit</i>	2020
Andrew Huang , <i>VP Marketing</i>	2022
Luigi Mariani , <i>VP Facilities & Equipment</i>	2022
Kyle Meller , <i>VP Accounting / Controller</i>	2022
Shana Scott , <i>VP Community Development & Foundation Executive Director</i>	2019
Brett Sturgeon , <i>VP Analytics & Business Intelligence</i>	2022
Sandra Torres , <i>VP Board Services / Assistant to CEO</i>	2008

PAST OFFICERS

DEPARTURE DATE

Larry Seidl , <i>President & Chief Executive Officer</i>	2022
Darcy Stephens , <i>Chief People Officer</i>	2022
Loretta Wolsey , <i>Chief Risk Officer</i>	2022
Preston Price , <i>Chief Experience Officer</i>	2023

Smart Financial Credit Union Bylaws Notification

Smart Financial Credit Union's Board of Directors recently embarked on a modernization project to review and update the Bylaws in place at the Credit Union to better reflect the current financial industry environment and adopt best practices from throughout the industry.

We also took the opportunity to add clarity to other Chapters and Sections within the bylaws where necessary.

The amendments to chapters 1, 3, 4, and 5 were approved by the Texas Credit Union Department in October 2023.

In accordance with TEX. FIN. CODE § 122.011(d), we are reporting the Credit Union Bylaws recent amendments to our membership.

In line with Section 91.315 of the Texas Administrative Code, Smart Financial is required to notify our members that the above mentioned amendment documents are available for review or to receive a copy.

To request a copy, or to request an appointment to review any of these amendments/documents, please write to:

Smart Financial Credit Union
C/O Risk Management
P.O. Box 920719
Houston, Texas 77292

Branch Locations

The Woodlands

26515 I-45
Spring, TX 77380

Westchase

EXISTING MEMBERS ONLY

5840 W. Sam Houston
Parkway, Suite 100
Houston, TX 77072

Spring Marketplace

7206 North Grand Parkway W.
Spring, TX 77379

FM 1960

520 FM 1960 East
Houston, TX 77073

Conroe

3201 West Davis
Conroe, TX 77304

Magnolia

6311 FM 1488 Suite A
Magnolia, TX 77354

Wayside

4411 South Wayside Drive
Houston, TX 77087

Kingwood

4529 Kingwood Drive
Suite 100
Kingwood, TX 77345

Pearland

3060 Kirby Dr
Pearland, TX 77584

North Loop

2510 North Loop West
Houston, TX 77092

Sugar Land

9810 Highway 90A
Sugar Land, TX 77478

Katy/Fulshear

6727 FM 1463
Suite 100
Katy, TX 77494

Lamar High School

OPEN TO PUBLIC

3325 Westheimer Rd
Suite B101
Houston, TX 77098

Outlet Locations

Nabors

LIMITED ACCESS



smart:financial

☎ (713) 850-1600

✉ infomain@smartcu.org

📍 P.O. Box 920719
Houston, TX 77292-0719



[smartcu.org](https://www.smartcu.org)



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