

President's Report 2011

I keep hoping our economy will recover as fast as my years seem to fly by. So far it seems recovery has been very slow and steady for the most part. I know some of our members are still dealing with reduced household income due to mandatory furlough days or unemployment. I hope for everyone the slow and steady improvement trend continues without the proverbial 'ONE step forward, TWO steps back'.

Tough economic times where consumers tend to save more and spend less, continued to put a strain on our income in 2010. In a perfect world, when our members make deposits we pay dividends on those deposits and reinvest in loans to other members. When the loan volume isn't keeping up with the deposit volume we invest in other safe investments such as certificates at other financial institutions. As most of you are all aware, the rate of return on investments right now is very slim. So with a low loan volume and low rate of return on investments our income margin is squeezed.

In spite of the squeezed income, we were still able to maintain a capital of 8.66% at the end of 2010. NCUA (National Credit Union Administration) considers 7% a WELL capitalized credit union to withstand tough economic times. One of the ways we maintained our capital was by continuing to cut costs wherever we could without affecting our quality of service to you; our members. In addition we made sound loan and investment decisions as always, protecting our member's assets as we promise to do in our mission statement. We did not participate in sub-prime lending nor did we diminish our underwriting quality controls to chase high yielding rates. As a result we've had very low delinquencies and loan losses in the past several years. This has helped preserve our capital.

In addition to our squeezed income, the Corporate Credit Union's still impacted our financials in 2010. Southwest Corporate was one of the corporate credit unions taken into conservatorship by NCUA. When this occurred we lost the remaining member capital account which shows on our financials as a loss on investments.

You might be asking why we need a Corporate Credit Union. Corporate credit unions operate much like the Federal Reserve does for banks. Corporates offer competitive priced services and gives the credit union's their independence and control over expenses from the banks. Unfortunately the corporate credit unions suffered substantial losses due to high concentrations in mortgage backed security investments. A new business model is underway to place controls in our corporate credit union structure to avoid future losses and to continue providing person owned credit unions, like us, competitive pricing on services such as wires, draft clearings, cash orders, and much more. With that said, I'd like to point out **not one dime has been taken from the tax payers to bail out the credit union industry.**

All in all it was a challenging year. We are YOUR credit union and we are here to help you today and in the future. We want you to use us as a resource to help you through tough times and celebrate with us during your better times! We do smart business with heart!

Warm Regards,

Tammy Allender
Your CEO