



P.O. Box 1089, Austin, TX 78767
velocitycu.com

Downtown

610 East
11th Street
Austin, TX
78701

North Austin

1201 West
Braker Lane
Austin, TX
78758

Round Rock

900 West
Round Rock Ave.
Round Rock, TX
78681

South Austin

9300 South IH-35
(at Slaughter Lane)
Austin, TX
78748

Brodie Oaks

4220 South Lamar
Blvd., Suite 100
Austin, TX
78704

New Hope

1230 East
New Hope Dr.
Cedar Park, TX
78613

Board of Directors

Carl Lynch
Chairman

Term expires April 2019

James Chapman
First Vice Chair

Term expires April 2020

Thomas Matthews
Second Vice Chair

Term expires April 2020

John Chomout
Secretary/ Treasurer

Term expires April 2019

Kasha Bartholomew
Member

Term expires April 2020

Mary Paredes
Member

Term expires April 2018

John Ross
Member

Term expires April 2018

A photograph of the Austin skyline at night, with illuminated skyscrapers and a body of water in the foreground reflecting the lights.

Annual Report 2017



Velocity
CREDIT UNION

Chairman and President's Report

To our valued members:

The board of directors and employees of Velocity Credit Union are pleased to report another year of upholding our commitment to the ideals of the credit union movement, while providing you, our members, a secure financial institution and local banking alternative.

Velocity Credit Union had another successful year and remains healthy and stable. As of December 2017, Velocity was very well-capitalized with a net worth of 12.15% — which is well above the industry standard. We grew our assets to a record \$863 million. The unusual growth in loan charge-offs in 2017 was attributed to the large increase in lending volumes in 2014-2016 and, as we move into 2018, these results will return to more normal levels.

Coming off the heels of the 2016 opening of our New Hope branch, as well as the rollout of our new online banking system and mobile app, 2017 saw the credit union plan for the potential sale of some of our current downtown properties. This does not mean that Velocity will be abandoning its downtown location. The credit union is committed to maintaining an office at its current location for decades to come. However, to better leverage the value of our downtown real estate assets, and provide much needed room for our staff at the main office, Velocity plans to sell some of this property and use those funds to purchase a new headquarters, with room for future growth, and to construct a brand new branch facility at our current downtown location. In this way, more of the assets of the credit union are put to work for the benefit of the membership and to provide room for growth for years to come.

Our membership reached more than 87,000 last year. We value each one of you as an owner — and we count on your participation as part of the cooperative that makes us who we are. We are proud to report that your credit union remains stable and strong.

Velocity's commitment is to provide you with the best banking experience possible, whether that's through our personal service or more high-tech conveniences. We appreciate the faith you place in us to meet your financial needs and will continue to work hard to make Velocity Credit Union worthy of being your trusted financial partner for years to come.

Sincerely,
Carl Lynch
Chairman of the Board

Debbie Mitchell
President/CEO

Lending Report

In 2017, the credit union granted more than 10,000 member loans. Loan advances totaled \$267,642,079 and at year-end, net loans outstanding stood at \$641,653,018. We remain fully committed to ensuring a fair-minded and unbiased lending process for all members of the credit union. Thank you for allowing our credit union to serve your lending needs.

Nominating Committee's Report

The bylaws of the credit union call for a nominating committee to be appointed by the board of directors each year for the purpose of interviewing candidates for election to the board of directors. The process included careful screening of all candidate qualifications. Based on the review process, which considers both qualifications and willingness to serve, the names below were placed in nomination for available positions on the board of directors. I wish to thank the other members of the nominating committee who contributed their time and talents in fulfilling the committee's responsibility of offering qualified nominees to fill board positions. Other members of the nominating committee were Thomas Matthews and John Chomout.

James Chapman, *Chairman*

Board of Director Candidates *(listed alphabetically)*

Maria Paredes
John Ross

Changes in Bylaws

None

Changes in Senior Management

Separations

Joe Putman,
Sr. Vice President
Risk Management/
Compliance,
February 2017

John Sayers,
Sr. Vice President
Information
Technology,
May 2017

Cheryl Blanco,
Sr. Vice President
Branch Services,
June 2017

Statement of Condition

Assets	December 2016	December 2017
Cash and Investments	\$129,295,500	177,849,957
Shares in Other Credit Unions	600,000	600,000
Total Loans to Members, Net	672,333,135	641,653,018
Collateral in Process of Liquidation	1,108,628	953,536
Other Receivables	681,822	1,183,025
Accrued Interest on Investments	196,797	219,927
Accrued Interest on Loans	2,457,825	2,381,983
Other Prepaid & Deferred Expenses	1,030,786	1,008,811
Land & Building	11,605,904	11,372,360
Furniture, Fixtures & Equipment	1,226,679	825,415
Other Assets	23,376,597	25,183,274
Total Assets	\$843,913,671	863,231,305
<i>Liabilities & Equity</i>		
Accounts Payable	\$2,085,803	1,933,321
Dividends Payable	394,887	402,578
Notes Payable	55,000,000	65,000,000
Other Accrued Expenses	2,287,144	2,446,585
Deferred Income	539,818	457,747
Member Deposits	689,786,485	701,209,743
Regular Reserves	11,294,236	11,294,236
Undivided Earnings	98,374,359	93,585,979
Unrealized Gain (Loss) on		
Available for Sale Securities	(438,605)	(399,822)
Prior Service Cost Reserve	(15,410,456)	(12,699,062)
Total Liabilities & Equity	\$843,913,671	863,231,305

2017 Loan Review

Loan Type	Number of Loans Outstanding	Dollar Amount Outstanding
New Auto & Truck	11,021	\$260,993,346
Used Auto & Truck	13,058	228,766,837
Unsecured	9,984	25,661,811
Certificate Secured	89	868,511
Share Secured	916	6,210,508
New & Used Boats	59	1,094,259
New Household Goods	11	63,292
Owner Occupied Real Estate	9	666,434
Home Improvement	676	12,931,152
Home Equity	380	12,885,056
Other Real Estate	1,732	101,491,279
Commercial Loans	19	2,323,087
Other Loans	643	3,177,746
Grand Total of Outstanding Loans	38,597	657,133,318
Allowance for Loan Loss		(15,480,300)
Total Loans, Net		\$641,653,018

70th Annual Meeting Order of Business

April 24, 2018

- I. Welcome and Introduction
Carl Lynch, Chair, Board of Directors
- II. Invocation
- III. Meeting Called to Order
Carl Lynch
- IV. Approval of Minutes From 69th Annual Meeting
Carl Lynch
- V. Presentation of Chairman and President's Report
- VI. Unfinished Business
- VII. New Business
- VIII. Adjournment



Income Statement

December 31, 2017

Interest Income	
Loan Interest	\$34,059,228
Investments	2,357,980
Corporate Account Income	220
Total Interest Income	\$36,417,428
Interest Expense	
Members' Shares and Deposit Accounts	\$3,280,659
Non-Member Dividends	258,452
Borrowings	1,093,789
Total Interest Expense	\$4,632,899
Net Interest Income Before Provision for Loan Losses	\$31,784,529
Provision for Loan Losses	22,713,999
Provision for Share Losses	349,551
Net Interest Income After Provision for Losses	8,720,980
Operating Income	
Fee Income	\$12,551,594
Other Operating Income	714,757
Total Operating Income	\$13,266,352

The board of directors engaged CPAs, CliftonLarsonAllen, LLP to audit the financial statements, year ended September 30, 2017. The audit opinion stated that Velocity's financial statements present fairly the financial position, results of its operations and its cash flows in accordance with Generally Accepted Accounting Principles (GAAP).

Operating Expense	
Employee Compensation	\$10,623,524
Employee Benefits	3,983,653
Travel and Conference	206,895
Association Dues	130,634
Office Occupancy	1,273,455
Office Operations	4,000,113
Education and Promotion	710,976
Loan Servicing	1,223,561
Professional and Outside Services	1,292,707
Federal Supervision and Examination	68,654
Cash Short and Over	124,121
Member Demand Deposit Services	2,885,858
Other Operating Expense	202,712

Total Operating Expense **\$26,726,862**

Non-Operating Income and Expense	
Gain on Loan Participations Sold	\$121
Gain and Loss on Investments	1,492
Gain and Loss on Fixed Asset Dispositions	(50,464)

Total Non-Operating Income and Expense **(\$48,850)**

Net Income **(\$4,788,380)**

Minutes of the 69th Annual Meeting

The 69th annual meeting of the credit union was held Tuesday, April 25, 2017 at Velocity Credit Union's main office. There were 46 members in attendance.

I. WELCOME AND INTRODUCTION

Carl Lynch, board chairman, welcomed all members and guests of the credit union. Mr. Lynch announced that he had appointed Ray Ruis as sergeant at arms and Amanda Robbins as parliamentarian and recording officer. He also stated that the meeting would be conducted according to Robert's Rules of Order. Mr. Lynch introduced staff and members of the board of directors: James Chapman, 1st vice chair; Thomas Matthews, 2nd vice chair; John Chomout, secretary/treasurer; Mary Paredes, director; John Ross, director; and Debbie Mitchell, president/CEO.

II. INVOCATION

Debbie Mitchell, president/CEO of Velocity, gave the invocation.

III. MEETING CALLED TO ORDER

Carl Lynch stated that he had been informed a quorum was present and called the business meeting to order at 11:58 a.m.

IV. APPROVAL OF MINUTES

Carl Lynch reported that the minutes of the April 26, 2016 annual meeting were printed in the annual report and asked if there were any comments or questions. There being none, a motion was made by John Ross and duly seconded by Mary Paredes to approve the minutes as printed. The motion carried unanimously.

V. PRESENTATION OF CHAIRMAN AND PRESIDENT'S REPORT

Carl Lynch stated that the Chairman and President's Report was printed in the annual report. There being no questions, the report was accepted as submitted.

VI. UNFINISHED BUSINESS

There were no items of unfinished business to be considered by the members.

VII. NEW BUSINESS

A. New Business Other Than Elections

Carl Lynch asked if there were any new business items, other than elections, to be submitted.

There were no new business items to be considered by the members.

B. Nominating Committee Report

John Chomout reported that the nominating committee was formed in the fall of last year to interview candidates for positions on the board of directors. He thanked the members of the nominating committee for serving Velocity in this important capacity.

John Chomout made a motion to re-elect James Chapman and Thomas Matthews and elect Kasha Bartholomew to the board of directors for the two regularly expiring three-year terms and one open three-year term, respectively. John Ross seconded this motion. Carl Lynch declared each nominee elected by general consent.

VIII. ADJOURNMENT

There being no further business, the meeting was adjourned at 12:03 p.m.

CARL LYNCH
Chairman

JOHN CHOMOUT
Secretary/Treasurer