

DREAM
FIRST



2016 ANNUAL REPORT



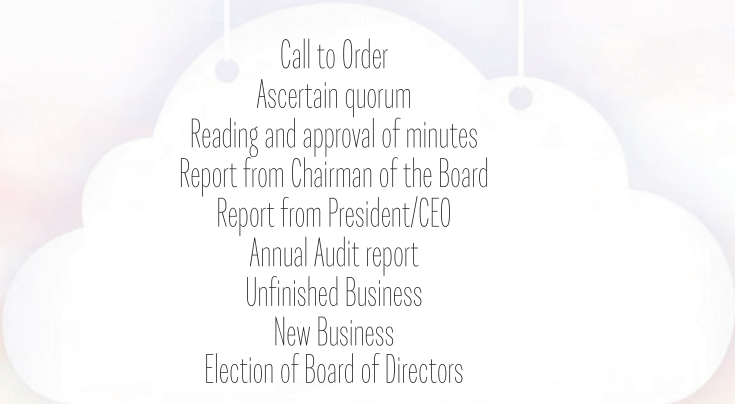
INCOME AND EXPENSE YEAR-TO-DATE

	12/31/16	12/31/15
INTEREST INCOME		
INCOME, LOANS	6,970,298	7,015,516
INCOME, INVESTMENTS	709,892	238,226
TOTAL INTEREST INCOME	7,680,190	7,253,742
INTEREST EXPENSE		
TOTAL INTEREST, DEPOSITS	712,285	670,177
TOTAL INTEREST, BORROWINGS	40	40
TOTAL INTEREST EXPENSE	712,325	670,217
NET INTEREST INCOME	6,967,865	6,583,525
LOAN & LEASE LOSS EXPENSE	930,564	438,084
TOTAL LOSS PROVISION	930,564	438,084
NET AFTER LOSS PROVISION	6,037,301	6,145,441
NON-INTEREST INCOME		
SERVICE FEES	4,131,103	3,995,661
TOTAL OTHER INCOME	4,131,103	3,995,661
NON-INTEREST OPERATING EXPENSES		
TOTAL OPERATING EXPENSE	9,028,967	8,165,834
INCOME BEFORE EXTRAORDINARY ITEMS	1,139,437	1,975,268
EXTRAORDINARY ITEMS		
NCUSIF STABILIZATION ASSESSMENT	0	0
OTHER NON-OPERATING ITEMS	28,535	(2,566)
NET INCOME	1,110,902	1,977,834

STATEMENT OF CONDITION

ASSETS		
TOTAL LOANS TO MEMBERS	142,527,701	120,204,856
TOTAL ALLOWANCE FOR LOAN LOSSES	(1,027,210)	(972,396)
TOTAL LOANS PARTICIPATIONS	12,385,535	20,235,465
TOTAL RECEIVABLES	718,802	1,181,057
TOTAL CASH	11,518,593	6,847,732
TOTAL INVESTMENTS	30,005,684	49,945,552
TOTAL PREPAID AND DEFERRED EXPENSES	2,004,684	2,085,363
TOTAL FIXED ASSETS	6,868,722	5,916,621
TOTAL ACCRUED INCOME	502,000	524,489
TOTAL OTHER ASSETS	185,024	181,246
TOTAL ASSETS	205,689,535	206,149,986
LIABILITIES		
TOTAL ACCOUNTS PAYABLE	432,793	394,053
TOTAL NOTES PAYABLE	297,251	330,625
TOTAL CONTINGENTS PAYABLE	433,225	431,733
TOTAL OTHER LIABILITIES	3,348,610	2,142,400
TOTAL LIABILITIES	4,511,879	3,298,811
DEPOSITS		
TOTAL DEPOSITS	180,276,789	183,116,508
EQUITY		
TOTAL MEMBER CAPITAL	20,900,867	19,734,667
TOTAL LIABILITIES, DEPOSITS & EQUITY	205,689,535	206,149,986

2016 Annual Meeting Agenda



- Call to Order
- Ascertain quorum
- Reading and approval of minutes
- Report from Chairman of the Board
- Report from President/CEO
- Annual Audit report
- Unfinished Business
- New Business
- Election of Board of Directors

Report of the Board of Directors and Management Year ending December 31, 2016

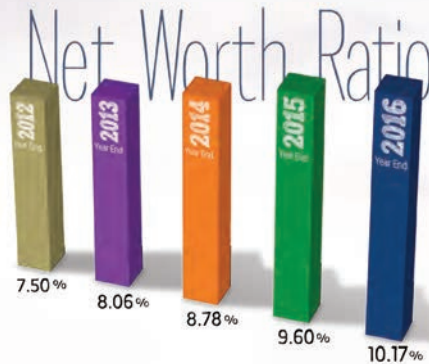
Dear Members,

The year 2016 was a challenging yet successful period for First Basin Credit Union. Following the typical “boom then bust” economic cycle that is well known to the Permian Basin, 2016 may be remembered as the “turnaround” period and the point at which more favorable conditions returned. A key indicator of improving conditions is a lower unemployment rate. As reported by the Bureau of Labor Statistics, the unemployment rate for the combined Midland/Odessa metropolitan statistical area decreased from 5.7% in July 2016 to 4.4% in November 2016. In comparison, the area’s unemployment rate averaged 3.1% in 2014 and 4.0% in 2015.

As for First Basin, the weakened local economy most definitely had an impact on our performance. Net income in 2016 of \$1.11 million was significantly lower than \$1.97 million in 2015, yet our performance remained on par with peer average. Despite reduced earnings, First Basin closed 2016 exhibiting exceptional financial strength, with total retained earnings (capital) of \$20.9 million and a 10.17% net worth ratio.

Several years ago, our Board of Directors established a 10.00% net worth target as a key goal. To achieve that goal, it was necessary to maximize earnings and simultaneously control deposit growth. The strategies First Basin employed to control deposit growth coupled with the struggling economy resulted in a decline in total deposits during 2016 of \$2.8 million to a year-end total of \$180.2 million. Conversely, loans experienced substantial growth, resulting from a renewed commitment to the communities in which we serve to continue to provide lending resources despite the unfavorable economic conditions. During 2016, First Basin’s loan portfolio, excluding purchased loan participations, grew by \$22.3 million to close the year at \$142.5 million.

As illustrated in the graphic below, First Basin's long-term goal to consistently and significantly improve our net worth ratio has been realized. Our industry's regulatory authority considers a net worth ratio of 7.00% as "well-capitalized".



In addition, the annual audit performed by Doeren Mayhew and the examination conducted by the Texas Credit Union Department served to further confirm First Basin's financial strength. Both resulted in a determination that First Basin is in full compliance with applicable laws, rules, and regulations, and that our policies, procedures, and internal control environment ensure that the credit union is operating in a safe and sound manner.

Our credit card program introduced in 2015 has proven to be a success. The First Basin Premier and Classic Credit Cards provide an extremely generous rewards payout and offer one of the lowest interest rates of any card on the market. Because of the attractiveness of the First Basin cards, it is no surprise that the response to this offer was incredible, with more than 2,600 new credit cards issued since program inception in March 2015. If you have not done so already, we encourage you to take advantage of this great credit card offer. With instant issue capabilities at all Permian Basin branches, our members can start using their new debit and credit cards immediately.

First Basin's expansion into the Lubbock market was another truly exciting milestone in 2016. The opportunity to broaden our operations and grow our membership is welcome. Plus, the new branch allows First Basin to reduce our dependence on the oil and gas industry, which is a substantial fiscal enhancement. "Guns up" Red Raider Fans!

The credit union's mission statement is:

First Basin Credit Union will do whatever it takes to exceed members' expectations by providing professional financial solutions that place members' needs first.

Obviously, First Basin cannot achieve such a lofty mission statement unless we are financially strong. For this reason, our overriding long-term goal is to operate the business in a safe and sound manner, and, as a result, our primary focus is to meet our financial objectives. At the same time, First Basin remains deeply rooted in the communities we serve and is extremely proud to serve as a strong community advocate while remaining fiscally responsible. Whether through monetary



or volunteer work, First Basin and its staff were proud to once again go above and beyond expectations with participation and involvement in more than 100 community benefits and charitable events. During 2016, we supported the American Heart Association, Junior Achievement, Starbright Village, Children's Miracle Network, Keep Odessa/Midland Beautiful, Education Foundation, Leadership Odessa, Meals on Wheels, Midland Children's Rehabilitation Center, Permian Basin Rehabilitation Center, Permian Basin Fair, and United Way to name a few.

First Basin was also recognized as Best Credit Union, Best Loan Company, and Best Customer Service in the Odessa American "Reader's Choice" Best of the Permian Basin awards. We also received a Bronze Rating for credit unions from the Midland Reporter Telegram.



On behalf of the board, management, and entire First Basin staff, we want to thank you once again for making First Basin Credit Union your financial institution. We wish you a healthy and prosperous 2017.

Sincerely,

A handwritten signature in black ink that reads "Julian Beseiril".

Julian Beseiril
Chairman of the Board

A handwritten signature in blue ink that reads "S. E. Culpepper".

Shem Culpepper
President & CEO

Report to Membership

First Basin Credit Union appreciates the commitment and dedication of the Board of Directors and presents them along with the expiration dates of their terms.

Julian Beseiril	2/2019	Rebecca Marler	2/2019
Shem Culpepper	2/2018	Steve Compton	2/2018
Sam Gonzalez	2/2017	Gary Windham	2/2017

Since the last annual report Cody Kidd has been promoted to Senior Vice President - Lending, Tim O'Reilly - Senior Vice President, Marketing, Julia Tarin - Vice President, Branch Operations, Ana Gonzalez - Vice President, Accounting and Brad Stillwell - Vice President, Information Technology.

As we begin our 52nd year of service, we renew our dedication to deliver excellent member service, products and services that accommodate your needs, competitive loan and dividend rates, and convenient branch and ATM locations.



Experience. Super. Power.



MISSION STATEMENT

First Basin Credit Union will do whatever it takes to exceed members' expectations by providing professional financial solutions that place members' needs first.

Board of Directors

Julian Berseril – *Chairman*
Sam Gonzalez – *Vice Chairman*
Gary Windham – *Secretary/Treasurer*
Shem Culpepper
Rebecca Marler
Steve Compton

Executive Management

Shem Culpepper – *President/CEO*
Cody Kidd – *Senior Vice President, Lending*
Tim O'Reilly – *Senior Vice President, Marketing*

Senior Management

Ana Gonzalez – *Vice President, Accounting*
Brad Stillwell – *Vice President, Information Technology*
Julia Tarin – *Vice President, Branch Operations*

First Basin Credit Union

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