

Houston
Highway
CREDIT UNION



2011

ANNUAL REPORT

YOUR ROAD TO FINANCIAL SUCCESS



Agenda:

- | | | |
|-----------------------------------|----------------------------|---------------------------|
| I. Call meeting to Order | V. President's Report | IX. Election of Directors |
| II. Determination of Quorum | VI. Audit Committee Report | X. Adjourn |
| III. Minutes of Last Meeting | VII. Unfinished Business | |
| IV. Directors' Report by Chairman | VIII. New Business | |

Note: Door Prizes will be awarded after business meeting.

Report from the Board of Directors

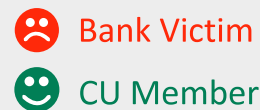
Welcome members, old and new, to our 59th annual meeting. It is an honor to stand before you as the Chairman of your Board of Directors. A strong financial position has always been one of our primary objectives at Houston Highway. As such, your Board of Directors has always followed the most prudent and conservative philosophy in making decisions about our operations. This approach has allowed the credit union to grow safely and soundly, while still remaining committed to offering the best and most affordable financial services to our members. You can be confident that our highest priority will always be to protect and serve your financial interests.

The current uncertainty in the economy makes our traditional values seem all the more valid. Your Board of Directors has assembled a management team that is also committed to our principles and values. Board Members, Committee Members, Management and Staff work together for you, our member/owners, to ensure that we continue to earn the confidence and

trust that have been bestowed upon us. I would like to take this opportunity to thank the membership for allowing us the privilege of serving as its Board. Even as volunteers, we view our service as an honor and a responsibility that will never be taken lightly.

We thank you for your membership and the trust you have put in us. If Houston Highway is not your primary financial institution, we should be! If there is an area we can improve upon or a service we can offer to achieve that goal, please let us know. We look forward to the journey in the coming year, and are appreciative of your business.

Mike Alford
Mike Alford
Chairman



Report of the President

Welcome everyone, to our annual meeting. It is my pleasure to report to you and celebrate with you a successful year for our credit union. This year has truly been the Year of the Member.

Members appreciated the added convenience of Saturday lobby and drive thru hours, making it even easier to conduct their financial business on their terms. Many of you have also already downloaded our mobile banking platform, from any smart phone, droid or iPhone. This free service truly allows you to take your credit union wherever you go. We are currently testing and will roll out soon "My Deposit", which enables you to deposit checks by scanning them and sending the image to us. So your deposit will be made in real time without you ever having to get in your car. If you are going to be out and about, I believe everyone should take advantage of the over 90,000 ATMs in our surcharge free network. Why pay an ATM fee ever again?

Despite the troubled economy or perhaps because of it, our membership grew even more last year; 4x as much as 2010, adding 327 new members. Consumers were finally beginning to realize the benefits of credit union membership versus being a bank victim. Especially when the big banks began putting on more and more fees to nickel and dime people, prompting a grass roots movement to switch to credit unions. It was heavily featured in newspapers, news shows and magazines nationwide. It even resulted in a National Bank Transfer Day where Americans were encouraged to stand up to the banks and move their accounts.

We made it even easier for new members to stop being a bank victim and become a credit union member with our online account application. Now your family, friends and colleagues can join the credit union with just a few clicks of their mouse.

And though banks were tightening their lending practices, we loaned out over \$17 million dollars. So more members that came to us for an auto loan, mortgage, credit card or even a personal loan left with a smile on their face.

It wasn't just the year of the member, last year we strengthened our commitment to be a good citizen of our community. We began regularly advertising in the Heights Tribune and worked out a partnership with our neighbor Boneyard, Houston's first dog park tavern, to place signage there promoting the credit union. We were also the Title Event sponsor for "Idol of the Heights". After four preliminary rounds, the winner was announced at the 5th Annual Heights Chamber Community Expo. It was a fun time for all and our employees enjoyed getting out into the community. This year, we will continue to support the local papers and have begun advertising in the Heights Ourblok magazine, which like the credit union, offers money saving opportunities to our community.

We are thankful that you are credit union members and not bank victims. Now is a good time to review all of your accounts at other institutions and make sure that you are not being victimized. Thank you for coming this evening and participating in this year's Annual Meeting. It is pleasure to see all of you.

Craig Atkinson
Craig Atkinson
President

Report of the Nominating Committee

The Nominating Committee, consisting of Quincy Allen, Karen Othon, and David Nitsch. We were charged with evaluating the individuals who chose to be considered for board of director positions. This year we had four qualified candidates to fill the three open positions, and one unexpired term.

We received applications from the following candidates:

- **Greg Ranft** – long-term member, has served on the Audit Committee since 2003. Greg was an Advisory Director from 2004 and then a Board Member since 2011.
- **Rita Dennis** – long-term member, has served on the Board of Directors for the past 14 years. In addition she has served on the Audit Committee, Advisory Directors, and Delinquency Committee. Rita is currently the Vice Chair of the board and chairperson of the Policy and Procedures Committee.
- **Otto Maresh** – long-term member, has served on the Audit Committee from 1960-1963 and from 1989-2008. In addition, he has served on the Delinquency Committee, Advisory Board from 2003-2008 and then a Board Member since 2008. He is currently Treasurer of the board.
- **Gail Morea** – long-term member, has served on the Audit Committee from 1998-2001. Gail was an Advisory Director from 2001-2008 and a Board Member since 2008. She is a member of the ALCO and Legislative Committees.

The committee has made the following recommendations:

- Position 1** – Greg Ranft
- Position 3** – Rita Dennis
- Position 4** – Otto Maresh
- Position 5** – Gail Morea

Quincy Allen
Chairman

Report of the Audit Committee

The Audit Committee, at the direction of the Board of Directors, and as required by the Texas Credit Union Department regulations, has conducted the prescribed audit of the Credit Union's operations.

The firm of John Weaver and Associates was hired to conduct the annual audit for 2011. That report received the highest rating for accounting accuracy.

The Texas Credit Union Department, in cooperation with the National Credit Union Administration (NCUA) also examined our operations from the regulator's and deposit insurer's perspective – safety, soundness and compliance with all applicable laws and regulations.

The Audit Committee meets regularly throughout the year to review the operations. The committee is pleased to find the financial management of our credit union to be sound and efficient. The credit union is well capitalized.

Gregory Ranft
Chairman

Changes to Management:

None.

Changes to Bylaws:

None.

Changes to Articles of Incorporation:

None.

Changes to Financial Condition:

None.

Changes to Membership Size:

Members December 2010: 5,429

Members December 2011: 5,756

Net Member Increase: 327

Services Offered Since Last

Annual Meeting:

Introduced online account opening and improved the Spanish version of the website. Also introduced a free iPhone app and free Android app for the mobile banking service.

Directors Term Ends:

Mike Alford, Chairman 2013
Rita Dennis, Vice Chairman 2012
Otto Maresh, Treasurer 2012
Liz Gerstenberger, Secretary 2013
David Eng, Director 2014
Gail Morea, Director 2012
Greg Ranft, Director 2014

Advisory Directors:

Stephen Godinich
Lonnie Johnson, Sr.
Janet Kurtz

Audit Committee:

Greg Ranft, Chairman
Eliza Paul, Janet Kurtz,
Lonnie Johnson, Sr.

Management:

Craig Atkinson, President
Lois Krolczyk, Vice President
Kevin Conn, Vice President

Loans:

Lynette Cannon
Gwen Sweet
Rony Molina

Accounting Assistants:

Melissa Randles
Kyle Nguyen

Chief Teller:

Gloria Garcia

Member Service Representatives:

Kita Leyva
Maria Mahoney
Nancy Calderon
Nekitha Gracias
Anita Richardson
Jackeline Tamez

ASSETS:

	2011	2010	2009	2008	2007
Loans	\$33,027,338	\$23,050,791	\$17,648,467	\$14,730,866	\$14,738,851
Cash	\$312,370	\$493,686	\$224,462	\$(12,118)	\$471,298
Investments	\$17,489,560	\$23,117,567	\$24,513,054	\$22,655,038	\$20,932,342
Other Assets	\$2,533,114	\$2,525,239	\$1,504,090	\$1,420,586	\$1,497,115
TOTAL ASSETS	\$53,362,382	\$49,187,283	\$43,890,072	\$38,794,372	\$37,639,606

LIABILITIES:

Shares	\$20,387,538	\$18,013,272	\$16,888,405	\$17,215,781	\$15,129,204
Certificates of Deposit	\$17,956,778	\$16,427,344	\$13,697,793	\$8,750,663	\$9,803,897
IRA's	\$4,406,513	\$4,748,939	\$4,029,391	\$3,681,375	\$3,762,360
Share Drafts / Money Market	\$6,235,037	\$5,154,036	\$4,184,042	\$3,860,051	\$3,976,400
Total Member Deposits	\$48,985,866	\$44,343,590	\$38,799,631	\$33,507,870	\$32,671,861
Equity Accounts	\$4,855,325	\$4,666,413	\$4,807,875	\$5,044,588	\$4,618,036
Other Liabilities	\$(478,809)	\$177,279	\$282,567	\$241,914	\$349,709
TOTAL LIABILITIES	\$53,362,382	\$49,187,283	\$43,890,072	\$38,794,372	\$37,639,606

OPERATIONS:

Gross Income	\$2,405,450	\$2,106,491	\$2,047,790	\$2,186,110	\$2,266,624
Dividends & Interest Paid to Members	\$404,826	\$486,445	\$475,065	\$649,493	\$873,114
Net Interest Income	\$2,000,624	\$1,620,046	\$1,572,725	\$1,536,617	\$1,393,510
Provision for Loan Losses Expense	\$162,000	\$100,000	\$94,000	\$49,629	\$79,961
Operating Expenses	\$1,730,494	\$1,433,480	\$1,215,037	\$1,074,613	\$1,055,635
Net Operating Income	\$108,130	\$86,565	\$263,688	\$412,375	\$257,914

NON RECURRING EXPENSES:

CU Industry Liquidity Expenses	\$(113,623)	\$(327,635)	\$(197,955)		
Adjusted Net Income	\$(5,493)	\$(241,070)	\$65,733		

Receive an additional **.25% APY**

on any new **Certificate of Deposit** opened on or before May 31, 2012.

Special **5 year Certificate of Deposit** with a rate of **2.5% APY**

on any new **Certificate of Deposit** opened on or before May 31, 2012.

1.00% rebate

*APR is annual percentage rate. APY is annual percentage yield and is subject to change without notice.

Special **4 year Certificate of Deposit** with a rate of **2.0% APY**

on any new **Certificate of Deposit** opened on or before May 31, 2012.

Receive **.25% APR**

off any new **loan** funded on or before May 31, 2012.

for any **credit card balance** transferred, from another credit card to a new or existing **HCU credit card**, on or before May 31, 2012.



New Services



- Mobile Banking
- Free iPhone app for mobile banking
- Free Android app for mobile banking



- Coin counting machine



- New microsite: cutogo.com
- e-statements
- Online account opening
- Improved spanish website.



- Member Privilege



- Shred It Day and Community Event



- Free soda fountain



- Saturday hours



- Surcharge Free ATM network



Federally Insured by NCUA