

Audit Report

The Board of Directors hired Green & Fillingim, PC Certified Public Accountants, to perform the 2018 annual audit. The audit was conducted through June 2018. The records of the Credit Union were found to be in excellent condition. The auditor presented the report to the Board.

CREDIT UNION DEPARTMENT EXAMINATION

The Credit Union Department performed their last annual examination as of March 31, 2018. Highlights presented to you at our meeting were as following:

Capital Adequacy: Capital adequacy is strong, as evidenced by Net Worth/Total Assets Ratio of 11.77%.

Asset Quality: Asset quality ratios remain controlled. The loan review revealed no material concerns with loan underwriting, documentation, or collection practices. Non – performing loans are charged off timely.

Management: The credit union has an experienced board of directors and a good management team in place. Board and management are active and engaged, and are effectively directing and controlling the affairs of the credit union.

Earnings: The credit union has positive earnings performance. Net income is approximately \$29,981 through March 2018, a Return on Average Assets Ratio of 0.27%.

Liquidity: Liquidity Risk remains well controlled. Liquidity is sufficient to meet member loan and deposit withdrawal needs.

Sensitivity to Market Risk: Sensitivity to Market Risk is controlled. The Net Long-Term Asset/Assets Ratio is currently 14.75%.

Overall Assessment: The credit union is financially sound. The net worth position is strong, and the earnings performance allows for asset growth.

2018 State of the Credit Union Report from the President / CEO

Good Morning and welcome to our 65th Annual Meeting of Trans Texas Southwest Credit Union. We are all stakeholders here, each of us invested in the health and well-being of this great financial institution. So, I want to thank you for being here and I applaud you for being truly connected member-owners.

I want to first recognize our board members for their leadership, dedication and passion for this credit union. The strength of their commitment is key to our long-term sustainability and prosperity. To our members, I'm greatly humbled by the trust you've placed in us and appreciate each of you for allowing us to be a partner in your financial decisions. And to our dedicated employees for embracing our values and goals and for delivering best-in-class service. Because of the work we've all done together, this credit union is thriving.

I am very proud to say that credit unions across the country are doing extremely well. Texas has 461 credit unions with more than 8.8 million members and total current assets of \$79 billion. These figures reflect a robust and healthy credit union system, of which Trans Texas is a part.

One of the biggest ongoing issues we face is data breaches, because merchants across the country continue to be vulnerable. A report from cybersecurity firm Shape Security showed that almost 90 percent of the log in attempts made online retailers' websites are hackers using stolen data. Ninety (90) percent! Many of these breaches were caused by flaws in the retailers' payment systems that hackers found a way to take advantage of. The good news is that your credit union suffered no data breaches, and I want to assure you that we have taken appropriate steps to ensure that your data remains secure. We are also committed to remaining vigilant to cyber threats. The continued success of Trans Texas allows us to offer financial products and services that enhance your life and improve our delivery channels.

In 2018, our staff diligently worked to deliver the following new products and services to the membership:

Instant Issue	After Hours Support for Debit Cards
Chip Debit Cards	Live Processing for debit cards and ATM transactions
E-sign for loan documents	

Pending products and services to be delivered in 2019:

Chip Credit Cards	Website Upgrade
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Loan Activity Report 2018

There were 592 loans made in 2018 for a total amount of \$10,315,961. Since organization, your Credit Union has made loans in the total amount of \$317,606,514. To date, the net loss from loans is only \$ 976,928.24 or .3%. Eleven (8) loans were considered uncollectible in 2018, which totaled \$34,213.48.

Financial Highlights 2018

	<u>2018</u>	<u>2017</u>	<u>Diff.</u>	<u>%Diff.</u>
Loans	30,442,502	31,516,921	- 1,074,419	- 3.53%
Investments	8,251,553	9,140,369	- 888,816	- 10.77%
Total Assets	41,881,187	44,383,648	- 2,502,461	- 5.98%
Deposits	36,549,021	39,141,845	- 2,592,824	- 7.09%
Total Equity	5,231,115	5,100,237	130,878	+ 2.50%

Dividends and Interest Paid to Members: \$309,101

Total Expense for 2018: \$1,724,161

Total Primary Members as of December 31, 2018: 2,855

Trans Texas is well-capitalized with a strong capital ratio of 12.49%.

A net worth ratio above 7% is considered well capitalized by our regulators.

Trans Texas has a rich history of community outreach. We continued our commitment to the community in 2018 through the following partnerships:

American Cancer Society	Operation Warm Heart
Angel Tree	Pregnancy Help Center
Angelo State University	Rio Concho Manor East & West
Better Business Bureau	Rust Street Ministries
Children's Advocacy Center	Salvation Army
Coke County Livestock Association	SACOP – Operation Blue Santa
Community Matters	San Angelo Chamber of Commerce
Concho Christmas Celebration	San Angelo Chapter of Credit Unions
Concho Valley Home for Girls	San Angelo Downtown Lions Club
Concho Valley PAWS	San Angelo Police Dept./ Drug Ed Program
Concho Valley Regional Food Bank	San Angelo Stock Show & Rodeo
Cowboy Gathering	San Angelo YMCA
Downtown San Angelo, Inc.	Schleicher County Stock Show
Eldorado Eagle Boosters	Sentinel Foundation
Fort Concho – Frontier Days	Southwest Bible Institute
Galilee Community Development	St. Jude Children's Research Hosp.
Hospice of San Angelo	St Mary's Catholic Church
House of Faith	Tom Green County Fair and Livestock Show
Meals for the Elderly	Trinity Lutheran Church
Momentous Home	United Way of the Concho Valley
National Prayer Breakfast	West Texas Counseling & Guidance
National MS Society	Wounded Warrior Project
Neighbors Café	

Our many accomplishments would not have been possible without the ongoing energy, optimism, commitment, and wholehearted belief that our people and members have in our principles and philosophies as a cooperative, not-for-profit entity.

In closing, I would like to express my deepest confidence in the wisdom and guidance of our esteemed board of directors, the commitment of our dedicated staff, and the support and loyalty of our member owners. We look optimistically into the future because Trans Texas is well-positioned to face any challenge and seize any opportunity that presents itself in 2019.

Our member-owners are integral to our credit union family, and we are sincerely grateful that you have chosen Trans Texas as your financial partner.

Thank you for your attendance today.

Thank you.

Toni A. Sudduth
President/CEO