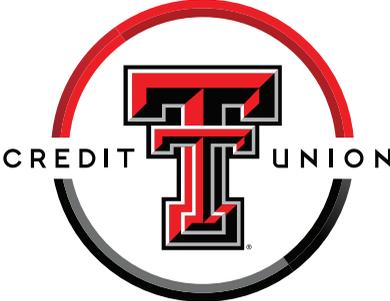


TTCU ANNUAL REPORT 2018

Texas Tech Credit Union





REPORT OF THE CHAIRMAN & CEO

2018 was a year of unprecedented growth for the Texas Tech Credit Union. We continue to leverage our almost \$200 million in assets and nearly 100 staff members to achieve our vision of meeting needs and creating value. Our team, led by a truly committed and innovative Board of Directors, is driven by passion for helping our members. These efforts created dynamic and exciting results for our membership of more than 22,000. We are pleased to present the 2018 Annual Report.

Our field of membership represents one of the brightest sources of growth for Lubbock and the surrounding communities. We are lucky to serve the following membership groups:

- Texas Tech University and Texas Tech Health Sciences Center faculty, staff, and students
- Texas Tech Alumni Association members
- University Medical Center employees
- Lubbock Christian University faculty and staff
- Teachers, staff and administration of the following school districts:
 - Cooper Independent School District
 - Frenship Independent School District
 - Idalou Independent School District
 - Lubbock Independent School District
 - New Deal Independent School District
 - Shallowater Independent School District
 - Slaton Independent School District
- Children's Home of Lubbock employees
- South Plains Electric Co-Op employees

Milestones achieved in 2018 include:

We broke ground on our new headquarters building, which, along with the remodel of our existing Main Office, will provide more space to better serve our members with state-of-the-art technology and service on the Texas Tech campus.

We launched a new, interactive website to drive member service and facilitate even more transactions and service needs through the web. The website includes a scheduling solution which allows members to control even more of their banking experience.

We launched CUnow, a virtual branch that allows face-to-face service from remote locations for our members.

Our total membership grew to more than 22,000. Total assets grew to \$190 million. Net income of \$915,000 resulted in net worth of 10.06%. We had strong growth in consumer loans, mortgage loans, and deposits.

We continue to focus on providing outstanding member service. We continue to introduce high-technology, high-touch solutions to our members while still delivering a warm and personal interaction. We are focused on solutions that provide a consistent, professional, and seamless experience across all that we do.

We never lose sight that our members own Texas Tech Credit Union. We will never stop pursuing what is best for you, and we look forward to another successful year in 2020. Thank you for your trust.



Ronald Phillips, JD
Chairman of the Board



Chris Hutson
Chief Executive Officer

Ronald Phillips Chris Hutson

BOARD OF DIRECTORS



Ronald Phillips, JD
Chairman



Will Armstrong, PhD
Vice-Chairman



Vickie Hampton, PhD
Secretary



Russell Dabbs, PhD



Dale Duhan, PhD



Eric Fisher, CPA



Justin Noble



Kay Rhodes



Kim Turner, CPA

SUPERVISORY COMMITTEE

Ethan Logan, PhD
Chairman

Eric Gossett

Ben Lagasse

EXECUTIVE MANAGEMENT



Chris Hutson
Chief Executive Officer



Eric Lundberg
Chief Operating Officer



Ben Hart
Chief Financial Officer



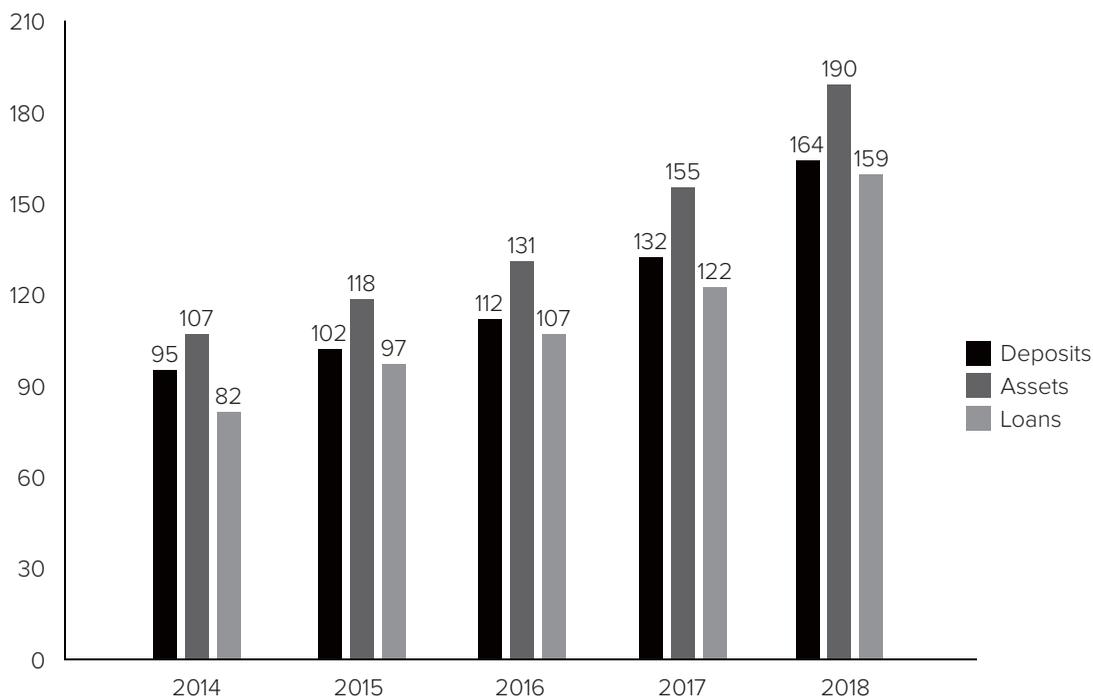
Lisa Huertas
Chief eXperience Officer

**BEST CU
TO WORK FOR
FOUR YEARS
RUNNING**

Texas Tech Credit Union
Named **"Best Credit Union to Work For"** 2015, '16, '17, and '18 by *Credit Union Journal*

Member Deposits, Total Assets, and Total Loans (in Millions)

Unaudited



Ben Hart
Chief Financial Officer

REPORT OF THE CFO

In 2018, we grew the balance sheet through member deposits. As a result, we relinquished our need of other funding sources such as non-member deposits, borrowings, and loan participations. In previous years, we funded loan demand by selling real estate loans to other participating credit unions. This year we funded loan demand by acquiring member deposits through competitive pricing. As a result, our assets grew from \$155 million to \$190 million, representing a 23 percent growth rate. During the same timeframe, total loans grew by 30 percent while total deposits grew 24 percent.

In 2018, members benefitted from multiple certificate of deposit (CD) promotions designed to fund loan demand. The CD promotions rewarded our membership with rates ranging from 2 percent to 3 percent. Further, our Kasasa Saver program continues to pay our members 2 percent up to \$25,000. This rate is top of market for a liquid savings account. If you are not participating in this program, I encourage you to meet with someone from our staff and enroll. This program is designed to reward members that use our full suite of products, which are best in class.

Similarly, we continue to offer unsecured, auto, and mortgage loan rates that are best in market. Despite offering high savings and low loan rates, our net interest margin held steady at 3.63 percent. Higher asset yields offset the rising cost associated with dividend expense. Our Board and staff are committed to delivering competitive loan prices as a member benefit.

Our mortgage department outpaced last year's mortgage production by 14 percent. Specifically, we originated \$137 million in 1st lien mortgages. We sold a majority of the mortgages to the secondary market. Mortgage sales earned the credit union premium income, contributing to a gross income to average assets ratio of 8.91 percent.

As projected, asset growth outpaced earnings in 2018. As a result, our net worth ratio diluted to 10.06 percent. Despite the diluted trend, our net worth position remains strong and well above NCUA's threshold to be considered well capitalized, or 7 percent.

In 2018, we sacrificed income in the spirit of growth. Specifically, we encouraged deposit growth in lieu of loan participations.

Therefore, we did not realize premium income from loan participations like in years past. Instead, we paid members through deposit promotions. As a result, our Return on Average Assets (ROA) fell to 0.53 percent. Our net income fell just short of \$1 million at \$915,413.

Currently, we are making capital investments to our branch on campus, which will become our headquarters. The additional space will allow us to abandon leased property, consolidate our physical infrastructure, and become more efficient. In addition, we recently revamped our website and digital platforms. We make capital investments with member service in-mind. As a member, we hope you enjoy the upgrades.

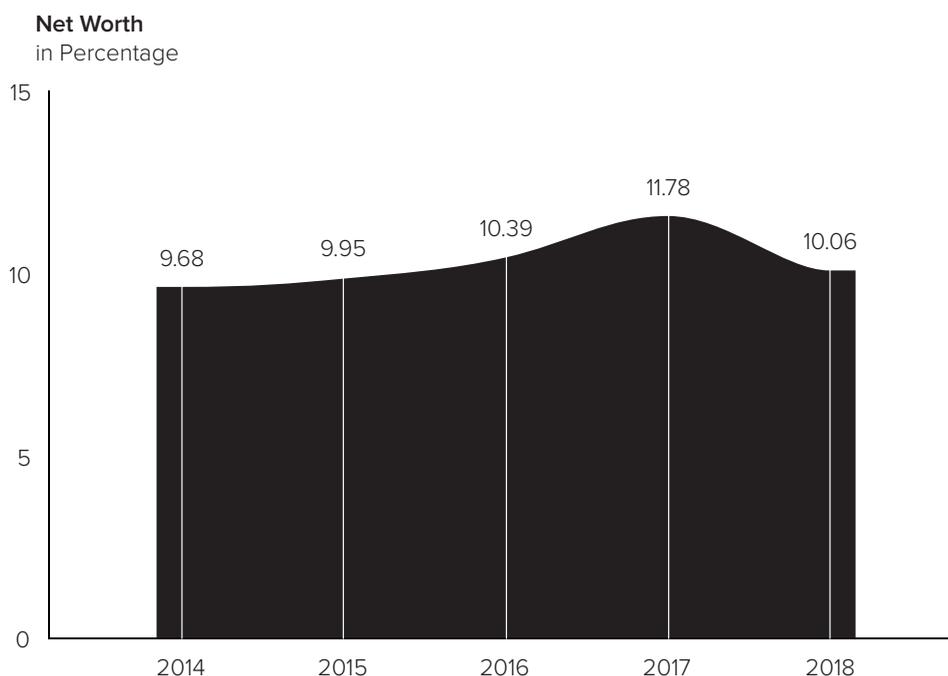
As mentioned in years past, I am convinced we serve the best membership in the credit union movement. Moreover, we have the best employees who are committed to serve you as diligently as possible. We are excited about the future and look forward to serving you for years to come.

Ben Hart
Chief Financial Officer

Assets	2018	2017
Cash and Cash Equivalents	\$7,536,136	\$10,579,515
Investments	\$1,137,591	\$4,259,672
Loans to Members (Net of Allowance for Loss)	\$163,497,987	\$126,097,426
Fixed Assets	\$10,473,722	\$7,960,003
NCUA Insurance Fund Deposit	\$1,496,161	\$1,273,240
Other Assets	\$6,103,177	\$4,442,322
Total Assets	\$190,244,775	\$154,612,178

Liabilities and Members' Equity	2018	2017
Share Accounts	\$163,679,602	\$132,081,573
Notes Payable	\$3,530,000	-
Accrued Expenses and Other Liabilities	\$4,033,268	\$4,466,858
Total Liabilities	\$171,242,870	\$136,548,431
Member Equity	\$19,001,905	\$18,063,747
Total Liabilities and Members' Equity	\$190,244,775	\$154,612,178

Income	2018	2017
Interest Income - Loans and Investments	\$7,308,618	\$5,653,662
Dividend Expense	\$997,340	\$514,206
Interest on Borrowed Funds	\$54,858	\$19,108
Net Interest Income	\$6,256,420	\$5,120,348
Provision for Loan Losses (PLL)	\$271,646	\$99,363
Net Interest Income after PLL	\$5,984,774	\$5,020,985
Non-Interest Income	\$8,006,951	\$7,343,759
Operating Expenses	\$13,076,287	\$10,760,411
Net Income	\$915,438	\$1,604,333
Unrealized Gain/Loss on Investments	\$(138,756)	\$(161,500)



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————— TTCU paid a total of —————

\$1,320,300

in rewards and dividends to members in 2018!





Ethan Logan, PhD
Supervisory Committee
Chairman

REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee consists of board-appointed volunteer members committed to ensuring the safety and security of the assets of the Texas Tech Federal Credit Union. Collectively, the members of the Supervisory Committee possess experience in education, information systems, human resources, and finance.

The goals of the Committee are to ensure that the Credit Union has met required financial reporting objectives and that management has established practices and procedures to sufficiently safeguard members' assets. In order to achieve those priorities, the Committee annually undertakes the following steps:

- Engage an external audit firm to perform an audit and conduct a verification of members' accounts. The CPA firm of Bolinger, Segars, Gilbert and Moss, LLP, performs the annual financial statement audit and member verification for the Credit Union. We are pleased to report the firm expressed an unqualified opinion in the 2018 audit.
- Engage and oversee an internal auditor to perform tests of internal controls. This year the Committee engaged Lam & Company to serve as the Credit Union's internal auditor. Lam & Company periodically performs risk assessments and has scheduled periodic audits of accounts and reviews of policies and procedures, with periodic reporting to Management and the Committee. We are pleased to report that, to date, no significant internal control gaps have been identified.
- Engage the firm Waypoint Advisory Services, Inc., to conduct the required examination of the Credit Union's compliance with the Bank Secrecy Act and related federal anti-money laundering

provisions. We are pleased to report the firm had no major findings with the program.

In addition to the internal and external audits, the National Credit Union Administration (NCUA) performs regulatory examinations every 12 to 18 months covering major risk areas of the Credit Union's operations. NCUA conducted the latest examination for the one-year period ending June 30, 2017. Credit Union Management has positively addressed all concerns raised by NCUA.

The Supervisory Committee meets regularly with the Board of Directors, the Management of the Credit Union, and as a committee. We are engaged with continued examination of our policy and practice. This committee meets quarterly to learn more about the operations of the Credit Union each year and to ask questions of our staff about their work.

As of this writing, we are pleased to report that the Credit Union's operations are safe, sound, and in compliance with all laws and regulations. We commend the Board of Directors and Management for another great year and appreciate the support given to the Committee.

If any member has a concern regarding the Credit Union, the Supervisory Committee is the entity to contact. All communications will be treated in an impartial and independent nature. Members may correspond confidentially with the Committee at:

TTFCU Supervisory Committee
c/o Audit Services
Box 41104
Lubbock, TX 79409-1104

Ethan Logan, PhD
Supervisory Committee Chairman

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Main Branch

1802 Texas Tech Pkwy.
Lubbock, TX 79409

Ravenwood Branch

4005 98th Street
Lubbock, TX 79423

TTUHSC Branch

3601 4th Street, Room #1A98
Lubbock, TX 79430

Cypress Waters Branch

8704 Cypress Waters Blvd. Ste. #150
Irving, TX 75063

