

TEXANS CREDIT UNION

ANNUAL REPORT

2019

WHEREVER OR WHENEVER...

ALLEN BRANCH

406 W. McDermott Dr
Allen, TX 75013

FRISCO BRANCH

3232 Main St
Frisco, TX 75033

PRESTON & FOREST BRANCH

5925 Forest Ln #100
Dallas, TX 75230

CAMPBELL BRANCH

777 E. Campbell Rd
Richardson, TX 75081

GARLAND BRANCH

626 Austin St
Garland, TX 75040

SPRING CREEK BRANCH

101 W. Spring Creek Pkwy #733
Plano, TX 75023

CARROLLTON BRANCH

3601 N. Josey Ln
Carrollton, TX 75007

IRVING BLVD BRANCH

2241 Irving Blvd
Dallas, TX 75207

TELECOM BRANCH

7220 Telecom Pkwy
Garland, TX 75044

ELDORADO BRANCH

3174 S. Hardin Blvd
McKinney, TX 75070

MCDERMOTT BRANCH

2213 McDermott Rd
Plano, TX 75025

WYLIE BRANCH

430 S. Highway 78 #199
Wylie, TX 75098

... YOU'RE NEVER FAR FROM TEXANS





MISSION & VISION STATEMENTS

At Texans Credit Union, we are committed to making our members' lives better while serving our communities



A financial partner for ALL Texans,
today and tomorrow

TABLE OF CONTENTS

| | |
|--------------------------------|----|
| Mission & Vision Statement | 1 |
| President & Chairman's Report | 3 |
| Financial Report | 9 |
| Texans Credit Union Financials | 11 |
| Community Impact | 13 |



2019 concludes the end of an era for Texans Credit Union while 2020 marks the start of a new decade and a new chapter of possibility.

Texans made several advancements and enhancements in 2019 that position our organization for continued excellence and growth in the coming years. As a result of our unwavering commitment to being a trusted financial partner for all Texans, our credit union continues to be a leader in the industry. We have a solid capital ratio and are stronger than ever.

Leveraging our strength, Texans is focused on evolving our services and support to meet the demands of today's members. We know mobile devices are here to stay. The role they play in nearly every aspect of our daily routine continues to grow. In the financial services sector, technology that puts the customer in the driver's seat is quickly becoming not just appreciated, but expected.

To attract and retain 21st century members, Texans launched a comprehensive "core conversion" which started with transforming our computing infrastructure in 2019. This IT transformation includes leading-edge equipment and systems to ensure the Texans infrastructure is highly available, extremely secure, and operating at optimal efficiency. Our team continues

to embrace rigorous standards and regulatory requirements for protecting our members' personal information and fighting against fraudulent attacks.

With assurance that our systems utilize the latest technology and functionality, members will be able to access more products and services through mobile devices. Changes or requests that previously required a member representative can now be handled by members themselves. Imagine being able to modify your account or arrange a loan payment extension from the comfort of your home or wherever you might be.

Our goal is to improve the member experience both in the branch and across all service channels. We are focused on providing more control, more transparency, and faster service in order to deliver a frictionless experience for members.

At the branch level, we're working to make services and processes more efficient as well. Our branch representatives and members will benefit from a more user-friendly system so they can easily access information and quickly complete tasks. Teller capture,

PRESIDENT & CHAIRMAN'S

REPORT

signature pads, and driver's license scanners are among the new or upgraded technology that will bring efficiencies to Texans branches.

In addition to technology upgrades, Texans invested in additional staff training in 2019. Applying industry best practices for problem-solving and issue resolution, we are evolving our member success approach to ensure our service to members and their satisfaction is consistently excellent. Team members are encouraged to take an innovative and tailored approach toward addressing and fulfilling member requests.

Coupled with our focus on delivering solid financial results to our members, Texans maintains a compassionate commitment to our members and the communities we serve. Our Texans helping Texans philosophy is foundational to our institution.

In 2016, we launched our Texans Gives Back program. Since then, our team members have donated thousands of hours in volunteer service to the charities and nonprofits that support the communities we serve. Through the Texans Gives Back program, our cooperative has also donated thousands of dollars to help where it's needed. When Hurricane Harvey hit in 2017, Texans was there to provide support and assistance. We've also supported programs such as the North Texas Food Bank, the Salvation Army, Texas Instruments' Veterans Initiative, and Hope Kids, just to name a few.

DAVID FRAZIER
PRESIDENT & CEO

We are proud to report that in 2019 our volunteers donated the most hours since the inception of Texans Gives Back. Additionally, Texans invested \$30,000 in charitable and community donations in 2019. We look forward to building on this momentum as we move into 2020.

In early 2020, the Board of Directors appointed David Frazier as the Chief Executive Officer and President. Mr. Frazier has the leadership and vision to further distinguish Texans as a competitive force in the marketplace. A credit union executive leader for nearly two decades, Frazier has deep expertise in financial services management and administration. He brings proven experience with growing a well-capitalized credit union's membership and offerings, returning value to the membership and a strong commitment to our community.

Propelled by the past several years of conservative financial management and continued growth, Texans Credit Union is entering 2020 with significant momentum. Our board of directors, CEO, and employees are energized as our organization begins a new chapter in our proud, 66-year history.

We look forward to continue delivering on our vision of being a trusted financial partner for all Texans while serving our communities.

GEORGE CONSOLVER
CHAIRMAN





BOARD OF DIRECTORS

Standing Back Row: George Consolver (Chairman of the Board, term expires 2021)
 Sitting Front Row: Jurgen Arts (term expires 2022); Tom Boedecker (term expires 2022); Ed Fawcett (term expires 2020); Estella Martinez (Secretary, term expires 2020)



EXECUTIVE MANAGEMENT

Standing Back Row: Matthew Moore (Director of Retail); Tanya Patterson (Senior Director of IT)
 Sitting Middle Row: Steven Erp (Chief Lending Officer); Tracy Montez (Controller)
 Sitting Front Row: David Frazier (President and Chief Executive Officer)

FINANCIAL REPORT

Our balance sheet reflects our organization's progress with not just maintaining a well-capitalized position, but also advancing our book value. With solid capital strength, Texans closed 2019 with a net worth ratio of 8.84%, compared to 7.42% in 2018. A net worth ratio of 7.00% or greater is considered well-capitalized and well-protected from risk exposure from unforeseen or unusual losses by our regulators. We are on track to achieve our goal of reaching a net worth ratio exceeding 9.00% in 2020 for our members.

When Texans grows, we reinvest our profits back into the business that return value to our members through better rates, lower fees and operational efficiencies and investments. Our total assets for 2019 remained strong at \$1.61 billion. Net income in 2019 was \$25.24 million, closing 2019 with a return on assets at 1.59%, ranking us among industry leaders.

Likewise, our net operating expense continues to be well below our peers. The net operating expense ratio in 2019 was 1.65% as Texans remains diligently focused on managing overhead expenses and operating efficiently.

The Credit Union's delinquency and net charge-off ratios ended the year at 0.17% and 0.13%, respectively. As with previous years, these metrics continue to be well below peer average, demonstrating the soundness of Texans' lending practices and member loan quality.

At Texans Credit Union we are proud of what we have accomplished over the last 66 years, and we are humbled by the continued loyalty of our members. Our focus on serving the member has always remained steadfast and will not change moving forward. We look forward to all we will accomplish together in the coming years. 2020 truly marks a new era for Texans as we enter the new decade in a strong financial position.



Effective leadership, strategic investments, and continued operational focus resulted in yet another year of positive financial returns.

TEXANS CREDIT UNION

FINANCIALS

STATEMENT OF FINANCIAL CONDITION

December 31, 2019 and 2018 (unaudited)

ASSETS

| | 2019 | 2018 |
|--|---------------|---------------|
| Cash and cash equivalents | \$222,666,099 | \$153,660,382 |
| Investments securities | 416,164,163 | 441,642,350 |
| Loans to member, net | 919,003,644 | 929,416,961 |
| Premises and equipment, net | 25,087,817 | 24,165,255 |
| National Credit Union Share Insurance Fund deposit | 14,218,256 | 14,456,885 |
| Assets acquired in liquidation | 424,653 | 424,653 |
| Other assets | 8,458,171 | 8,704,928 |

TOTAL ASSETS

| | |
|-----------------|-----------------|
| \$1,606,022,803 | \$1,572,471,413 |
|-----------------|-----------------|

LIABILITIES

| | 2019 | 2018 |
|--|----------------------|----------------------|
| Members' share and savings accounts | \$1,453,243,772 | \$1,455,914,386 |
| Accrued expenses and other liabilities | 15,710,355 | 14,459,727 |
| Total Liabilities | 1,468,954,127 | 1,470,374,113 |
| Accumulated other comprehensive loss | (4,836,553) | (14,564,618) |

NET

| | | |
|------------------------|--------------------|--------------------|
| Regulatory reserves | 35,135,126 | 31,868,588 |
| Undivided earnings | 106,770,103 | 84,793,331 |
| Total Net Worth | 141,905,229 | 116,661,918 |

TOTAL LIABILITIES & EQUITY

| | |
|-----------------|-----------------|
| \$1,606,022,803 | \$1,572,471,413 |
|-----------------|-----------------|

STATEMENT OF INCOME

For the Years Ended December 31, 2019 and 2018 (unaudited)

TOTAL INCOME

| |
|------------------------------|
| Interest on loans to members |
| Interest on investments |
| Fees and service charges |
| Other non-interest income |

Total Income

| 2019 | 2018 |
|-------------------|-------------------|
| \$35,024,732 | \$33,828,799 |
| 12,455,013 | 11,401,837 |
| 7,367,675 | 7,553,200 |
| 6,745,084 | 7,411,469 |
| 61,592,504 | 60,195,305 |

TOTAL EXPENSES

| |
|--------------------------------|
| Operating expenses |
| Dividends on members' accounts |

Total Expenses

| | |
|-------------------|-------------------|
| 33,556,590 | 32,437,421 |
| 1,763,164 | 1,439,295 |
| 35,319,754 | 33,876,716 |

PROVISION FOR LOAN LOSSES

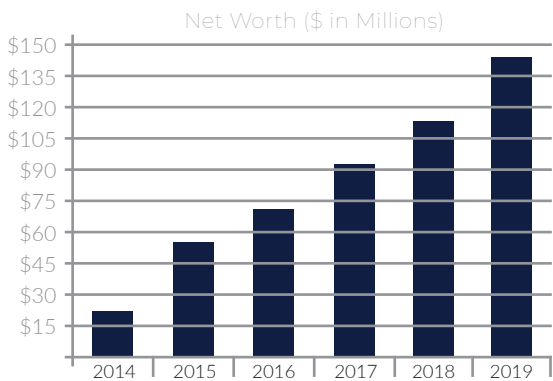
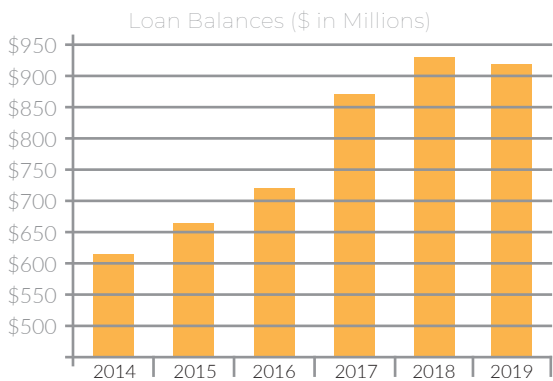
| | |
|-----------|-----------|
| 1,029,439 | 1,101,549 |
|-----------|-----------|

NET EARNINGS TO MEMBERS' EQUITY

| | |
|---------------------|---------------------|
| \$25,243,311 | \$25,217,040 |
|---------------------|---------------------|

MEMBERSHIP SIZE

| 2019 | 2018 |
|---------|---------|
| 110,904 | 110,762 |



COMMUNITY

IMPACT



City of Garland
Texas Instruments
City of Wylie
Head for the Cure
Lovejoy ISD
HopeKids
Good Samaritans of Garland
Canine Companions for Independence
Firewheel Town Center
Dallas County
City of McKinney
Network of Community Ministries
City of Richardson
Toys for Tots
Ericsson
Richardson ISD
City of Carrollton
McKinney ISD