



TruWest® Credit Union

Annual Report

2017

Annual Meeting: Agenda

Meeting begins at 5:30 p.m.

Call to Order and Welcome	Tom Cumiskey
· Recognition of Guests	
· Approval of Minutes	
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Reports from Officials	
· Chairman of the Board	Tom Cumiskey
· Treasurer	Scott Johs
· Supervisory Committee Chairman	Susanna DeFranco
· President	Alan Althouse
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Unfinished Business	Tom Cumiskey
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New Business	Tom Cumiskey
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Board of Directors Election Report	Rick O'Connor
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Questions from the Floor	Tom Cumiskey & Alan Althouse
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Door Prizes	Tom Cumiskey & Alan Althouse
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Adjournment	Tom Cumiskey
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2017

Annual Report

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A Letter from the President & CEO and Chairman

A Letter from the President & CEO and Chairman Alan Althouse & Tom Cummiskey



Alan Althouse
President & CEO



Tom Cummiskey
Chairman

Building on successes achieved in previous years, TruWest® Credit Union once again delivered a robust performance in 2017, TruWest's 65th year as a credit union. Financially, TruWest maintained a solid capital position, ending the year with a strong ratio of 10.3%—easily surpassing the 7% level the regulatory authority requires for a “well capitalized” designation. As an indication of our financial strength, TruWest Credit Union again received a five-star rating from Bauer Financial, the highest rating possible.

Our ability to provide members with exceptional service and value is the cornerstone of TruWest's financial stability. We survey our members every year through the Net Promoter Score (NPS) process, and in 2017 members gave us another high vote of confidence with an NPS of 66%. This places our member loyalty rating on a level similar to highly regarded companies such as Barnes & Noble and Trader Joe's.

Members also gave TruWest a superior branch service quality score in 2017—6.79 out of a maximum of 7.0. Our strong growth in memberships continued last year as well, demonstrating the outstanding value we provide. At the close of 2017, we had 83,890 members, an increase of 7.0% from 2016.

Realizing our members have more options in the marketplace than ever, including a growing number of out-of-state credit unions and online providers, TruWest works diligently to outperform the competition through the TruDifference: ensuring our stellar local service remains the best that can be found; maintaining our top-of-the-line market loan and deposit rates; continually enhancing our members' online and mobile experiences; and taking well-calculated steps to upgrade and improve our many other member-directed points of focus.

To expand our geographic footprint, meet the needs of our growing membership and make doing business with TruWest even more convenient, we opened a branch in Phoenix's West Valley, at 35th Avenue and Thunderbird, and a new branch in Austin in early 2018. We've also added Pima and Yavapai Counties to our geographic field of membership, expanding our field of membership to include 85% of the population of Arizona. As in the last several years, we will continue to invest in digital tools and online and mobile services, such as ClickSWITCH™, eDeposit and Live Chat, that make doing business with TruWest not just convenient, but a "Tru" pleasure.

Looking ahead, growth remains a key objective for TruWest—through ongoing communications with other credit unions to explore the possibility of joining with us to better serve our communities; through additional advances in technology that will further improve our services; and through

evaluating opportunities to expand beyond our current markets. These strategies will strengthen TruWest and increase the value we provide our member-owners.

TruWest's outlook for 2018 is auspicious, with plans to roll out products like a new, yearlong investment certificate campaign that will feature great rates and deliver superior deposit returns to our members. With our strong base and steady commitment to the extraordinary service that defines the TruDifference, we will continue our quest to be our members' best possible financial partner.

As always, all of these achievements couldn't have been accomplished without the support of our members. We are thankful for continued participation in making TruWest a pillar of the community to help individuals achieve their financial dreams, and we look forward to continued success in the years ahead.



With our strong base and steady commitment to the extraordinary service that defines the *TruDifference*, we will continue our quest to be our members' best possible financial partner."



Treasurer's Letter

Scott Johs

2017

As Treasurer for TruWest, I am pleased to report that our Credit Union had another year of excellent growth and strong financial performance. As always, we remain steadfast in our commitment to protecting your financial assets and providing unsurpassed member service. Below is a recap of financial results for the year 2017.

- Total assets ended the year at \$1.03B, an increase of 6.5% from the previous year, with total member deposits of \$906M, an increase of 6.4%
- Membership continued to grow, up 7.0% to 83,890
- As more members chose TruWest for their lending needs, they helped the loan portfolio reach \$900M in total loans outstanding, an increase of 5.4% from 2016
- TruWest's capital ratio, a key measure of financial stability and soundness, held strong at 10.3%
- Net interest income for 2017 was \$37.5M
- Operating expenses were \$43.9M, supporting TruWest's mission of providing solutions for members to meet their financial goals
- Dividends paid in 2017 were \$2.2M
- TruWest's net income was \$4.8M, an increase of 18.6% from 2016

As a member, you are also an owner and a valuable partner in TruWest's success. With that in mind, I join Tom Cumiskey, Chairman of the Board, and Alan Althouse, President and CEO, in personally thanking you for your continuing support. Our entire team works hard to maintain TruWest's 5-star "superior" rating from Bauer Financial, which demonstrates the credit union's strength as a financial institution, and we are proud to serve you.



TOTAL ASSETS

Total assets ended the year at **\$1.03B**, an increase of **6.5%** from the previous year.



TOTAL MEMBERSHIPS

Membership continued to grow, up **7.0%** to **83,890**.



NET INCOME

TruWest's net income was **\$4.8M** for the past year, an increase of **18.6%** from 2016.

Financial Report 2017

Total Assets	2017	2016	2015
	\$1,030,167,948	\$967,262,442	\$927,024,609

Member Deposits	2017	2016	2015
	\$905,691,045	\$850,972,288	\$816,870,044

Balance Sheet

Assets	2017	2016	% Change
Loan to Members	\$899,798,151	\$853,409,381	5%
Allowance for Loan Loss	-\$4,121,215	-\$3,684,783	12%
Net Loans	\$895,676,936	\$849,724,598	5%
Total Investments	\$82,440,547	\$67,115,911	23%
Net Fixed Assets	\$20,996,864	\$21,409,658	-2%
Other Assets	\$31,053,601	\$29,012,275	7%
Total Assets	\$1,030,167,948	\$967,262,442	7%
Liabilities and Equity	2017	2016	% Change
Total Liabilities	\$18,192,665	\$15,296,279	19%
Total Members Equity			
Total Savings	\$248,193,253	\$246,495,842	1%
Total Checking	\$230,286,583	\$218,592,746	5%
Total Money Market	\$294,476,764	\$300,939,409	-2%
Total IRA	\$25,897,770	\$27,512,178	-6%
Total Certificates	\$106,836,675	\$57,432,113	86%
Total Deposits	\$905,691,045	\$850,972,288	6%
Net Worth	\$106,284,238	\$100,993,875	5%
Total Liabilities, Member Deposits and Reserves	\$1,030,167,948	\$967,262,442	7%

Member Loans	2017	2016	2015
	\$899,798,151	\$853,409,381	\$787,041,503

Net Worth Ratio	2017	2016	2015
	10.3%	10.5%	10.5%

Highlights & Income Statement

Highlights	2017	2016	% Change
Members	83,890	78,371	7%
Saving Accounts	95,638	89,849	6%
Checking Accounts	50,405	46,249	9%
IRAs	2,943	2,952	0%
Money Market	7,263	7,083	3%
Certificates	2,749	2,150	28%
Online Banking Users	51,364	45,320	13%
Mobile Banking Users	36,003	29,798	21%
Bill Pay Users	19,780	17,752	11%
Income Statement	2017	2016	% Change
Interest on Loans	\$37,946,886	\$32,902,042	15%
Interest on Investments	\$4,283,432	\$3,193,447	34%
Interest Expense	\$4,718,976	\$2,282,176	107%
Net Interest Income	\$37,511,342	\$33,813,313	11%
Non-Interest Income	\$14,565,741	\$14,570,465	0%
Operating Expenses	\$43,871,137	\$41,447,691	6%
Provision for Loan Losses	\$3,401,360	\$2,884,684	18%
Net Income	\$4,804,586	\$4,051,403	19%

Experience the
TruDifference

Helping you
achieve your
financial goals

Supervisory Committee Letter

Susanna DeFranco, Steve Benton,
Dean Dresser and Stephanie Sanchez

The Board of Directors appoints the Supervisory Committee to monitor credit union operations, ensure assets and funds are safe guarded and to review compliance with policies, procedures and legal and other requirements.

This is done through internal, external and regulatory-agency auditing programs carried out by credit union staff, our external auditing firm, CliftonLarsonAllen, LLP, the National Credit Union Administration, the Arizona Department of Financial Institutions and the Texas Credit Union Department. The committee monitors these audits and ensures TruWest addresses all deficiencies and completes any corrective actions.

In addition, the committee:

1. Ensures records are maintained properly, honestly and accurately;
2. Makes sure policies are established according to law and carried out faithfully;
3. Checks to see proper internal controls are in place; and
4. Confirms members receive the best possible service.



Based on this work, we are pleased to report TruWest Credit Union is operating with a system of strong internal controls and is a sound financial institution. We are satisfied with the actions taken and the standards upheld in 2017, and look forward to continuing this partnership with the TruWest Board, management and members in the upcoming year.

As members of the credit union ourselves, we work diligently to ensure your assets are secure through the implementation of sound financial policies, procedures and controls.

Senior Management

Our senior management team has decades of credit union experience and knowledge. More importantly, they have a passion for seeing that our Credit Union thrives and succeeds with the spirit of *TruDifference*.

Our Mission

Our Mission

TruWest’s mission statement serves as the anchor and fundamental reason for being in business:

“TruWest Credit Union is a cooperative providing financial solutions so members can achieve their goals.”

Our Vision

Our Vision

TruWest’s vision statement defines the future we strive to create for the organization and tells the story of what we want the credit union to become:

“People so trust and value our financial solutions and level of service that they select TruWest Credit Union as their primary financial institution.”



Opposite page
Front Row:

Farid Farbod Senior Vice President and Chief Lending Officer
Alan Althouse President and Chief Executive Officer
Gary Bernard Executive Vice President and Chief Operations Officer

Back Row:

Mike Ward Senior Vice President and Chief Financial Officer
Chris Kearney Senior Vice President and Chief Information Officer
Jeff Peabody Senior Vice President and Chief Marketing Officer

Meet the Board Members at Large

Advocates for members needs and interests

Our Board Members at Large work to further the goals of TruWest Credit Union and focus on member concerns. They listen to our members and communicate issues, needs and interests to the Board of Directors.



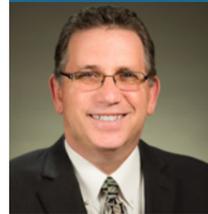
Tom Cummiskey (AZ)

Board of Directors
Position: Chairman
Term Expiration: 2018



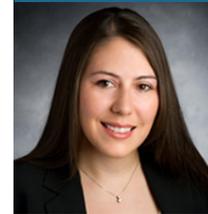
Rick O'Connor (AZ)

Board of Directors
Position: Vice Chairman
Term Expiration: 2019



Mike Vasko (AZ)

Board of Directors
Position: Secretary
Term Expiration: 2018



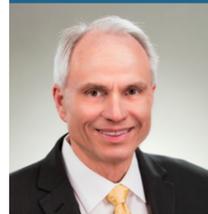
Susanna DeFranco (AZ)

Supervisory Committee
Position: Chairman
Term Expiration: 2020



Scott Johs (AZ)

Board of Directors
Position: Treasurer
Term Expiration: 2020



Jeff Homer (AZ)

Board of Directors
Term Expiration: 2019



Steve Benton (AZ)

Supervisory Committee
Term Expiration: 2019



Mike Moulton

Board of Directors
Term Expiration: 2018



Jeffrey Myers (TX)

Board of Directors
Term Expiration: 2020



Dean Dresser (TX)

Supervisory Committee
Term Expiration: 2020



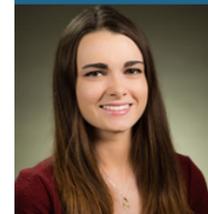
Tim Niesz (AZ)

Board of Directors
Term Expiration: 2020



David Prechtel (AZ)

Board of Directors
Term Expiration: 2019



Caitlin Bohrer (AZ)

Advisory Committee
Term Expiration: 2019

2017
Representatives of the communities served by TruWest





TruWest® Credit Union
Federally Insured by NCUA

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