



TruWest® Credit Union

# Annual Report

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2018

# Annual Meeting: Agenda

Meeting begins at 5:30 p.m.

|   |                              |
|---|------------------------------|
| <b>Call to Order and Welcome</b>          | Tom Cumiskey                 |
| · Recognition of Guests                   |                              |
| · Approval of Minutes                     |                              |
| <hr/>                                     |                              |
| <b>Reports from Officials</b>             |                              |
| · Chairman of the Board                   | Tom Cumiskey                 |
| · Treasurer                               | Scott Johs                   |
| · Supervisory Committee Chairman          | Susanna DeFranco             |
| · President & CEO                         | Alan Althouse                |
| <hr/>                                     |                              |
| <b>Unfinished Business</b>                | Tom Cumiskey                 |
| <hr/>                                     |                              |
| <b>New Business</b>                       | Tom Cumiskey                 |
| <hr/>                                     |                              |
| <b>Board of Directors Election Report</b> | Tim Niesz                    |
| <hr/>                                     |                              |
| <b>Questions from the Floor</b>           | Tom Cumiskey & Alan Althouse |
| <hr/>                                     |                              |
| <b>Door Prizes</b>                        | Tom Cumiskey & Alan Althouse |
| <hr/>                                     |                              |
| <b>Adjournment</b>                        | Tom Cumiskey                 |
| <hr/>                                     |                              |

# 2018

## Annual Report

### Table of Contents

|                                       |    |
|---------------------------------------|----|
| Chairman and President & CEO's Letter | 4  |
| <hr/>                                 |    |
| Treasurer's Letter                    | 7  |
| <hr/>                                 |    |
| Financial Report                      | 9  |
| <hr/>                                 |    |
| Supervisory Committee's Letter        | 12 |
| <hr/>                                 |    |
| Senior Management                     | 13 |
| <hr/>                                 |    |
| Board of Directors                    | 15 |
| <hr/>                                 |    |



# A Letter from the Chairman and President & CEO

## Chairman and President & CEO's Letter

Tom Cummiskey & Alan Althouse



**Tom Cummiskey**  
Chairman



**Alan Althouse**  
President & CEO

TruWest® Credit Union delivered a record-breaking performance in 2018. Financially, TruWest maintained a solid capital position, ending the year with a strong ratio of 9.9%—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. In 2018, TruWest reached several all-time high levels, including both total loans and total deposits now over \$1.0 billion, assets surpassing \$1.15 billion, and net income of over \$8 million.

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 2018 members gave TruWest another high vote of confidence with an NPS of 67%, up from last year. For comparison, the average for all credit unions is 51% and banks average only 37%. This places our member loyalty rating on a level similar to such highly regarded companies such as Apple and Trader Joe’s.

Members also gave TruWest a superior branch service quality score in 2018 of 6.82 (out of a maximum of 7.0), up from the prior year. Our strong growth in memberships continued last year as well, a result of the outstanding value we provide. At the close of 2018, we had 89,261 members, another all-time high.

Realizing our members have more options in the marketplace than ever, TruWest works diligently to outperform the competition through the TruDifference: ensuring our stellar local service remains the best that can be found; maintaining our superior 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 new branch in South Austin at Slaughter Lane and Manchaca Road in early 2018. We've also added the American Lung Association as a partner, allowing anyone who belongs to the Association an opportunity to become a TruWest member. As we've done in the last several years, we will continue investing in digital tools and online and mobile services, such as an online card balance transfer capability and TruWest Card Manager, an app that enhances the security and member control of your debit and credit card transactions, making doing business with TruWest even more convenient and secure.

Never willing to rest on our laurels in 2019 and beyond, TruWest will execute on five key initiatives:

**Reduce Friction:** We recognize that those companies that will grow and thrive in the coming years will be those that provide ever faster and easier service to their consumers, and that have the efficient low-cost operations necessary to deliver superior value to their consumers. Our reduce friction goal is about becoming faster, easier, and at a lower cost for you, our members.

**Artificial Intelligence:** Artificial intelligence will revolutionize the way members interact with their credit union – similar to the introduction of online and mobile banking. While this will take several years to evolve, we are conducting research and development now to assure that we are on the vanguard of this new way of serving our members.

**FinTech Partnerships:** Providing the best possible service in the coming years will require us to partner with technology experts. Stay tune for our first such partnership, a firm focused on using new technology to better protect and secure members identity.

**Membership Growth:** Our partnership with the American Lung Association gives us the opportunity to grow beyond our current geographic boundaries. Growth in turn will spread our fixed costs over a larger membership base, giving us the "scale economies" to provide greater value and more services to our members.

**Contributing Member recognition:** Some members have their direct deposit with TruWest and/or do significant other business with us. These members contribute to the cooperative. Others do not, and are subsidized by the broad membership. This initiative is focused on growing and rewarding contributing members – perhaps through special rates or other rewards. This growth, in turn, will give us the resources to do more in our communities, with a special focus on giving a helping hand to low income households, and others in need.

Our 2018 achievements would not have happened without the support of our members. We are thankful for your continued participation, and look forward to continued success in the years ahead.



Our 2018 achievements would not have happened without the support of our members."

# Treasurer's Letter

Scott Johs

# 2018

As Treasurer for TruWest® Credit Union I am pleased to report that the credit union had another outstanding year of growth and strong, record-breaking 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 our 2018 financial results.

- TruWest continued having record asset growth, surpassing \$1.15B, an increase of 11.9% from the previous year, with total member deposits of \$1.02B, an increase of 13.0%
- Membership continued to grow, up 6.4% to 89,261
- As more members chose TruWest for their lending needs, they helped the loan portfolio reach \$1.02B in total loans outstanding, an increase of 13.1% from 2017
- TruWest's capital ratio, a key measure of financial stability and soundness, held strong at 9.9%
- Total TruWest revenue was \$62.7M
- Operating expenses were \$45.8M, supporting TruWest's mission of providing solutions for members to meet their financial goals
- TruWest's net income increased to \$8.1M, an all-time high
- Dividends paid in 2018 increased 94.0% to \$4.3M

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 continued support. Our entire team works hard to maintain TruWest's 5-star "superior" rating from Bauer Financial, demonstrating the credit union's strength as a financial institution. As always, we are committed and proud to serve you.



## TOTAL ASSETS

TruWest continued having record asset growth, surpassing **\$1.15B**



## TOTAL MEMBERSHIPS

Membership continued to grow, up **6.4%** to **89,261**.



## NET INCOME

TruWest's net income increased to **\$8.1M**, an all-time high.

# Financial Report 2018

| Total Assets | 2018            | 2017            | 2016          |
|--------------|-----------------|-----------------|---------------|
|              | \$1,152,658,836 | \$1,030,167,948 | \$967,262,442 |

| Member Deposits | 2018            | 2017          | 2016          |
|-----------------|-----------------|---------------|---------------|
|                 | \$1,023,229,511 | \$905,691,045 | \$850,972,288 |

| Member Loans | 2018            | 2017          | 2016          |
|--------------|-----------------|---------------|---------------|
|              | \$1,018,134,921 | \$899,798,151 | \$853,409,381 |

| Net Worth Ratio | 2018 | 2017  | 2016  |
|-----------------|------|-------|-------|
|                 | 9.9% | 10.3% | 10.5% |

## Balance Sheet

| Assets  | 2018            | 2017            | % Change |
|---|-----------------|-----------------|----------|
| Loan to Members                                 | \$1,018,134,921 | \$899,798,151   | 13%      |
| Allowance for Loan Loss                         | -\$4,890,721    | -\$4,121,215    | 19%      |
| Net Loans                                       | \$1,013,244,200 | \$895,676,936   | 13%      |
| Total Investments                               | \$88,189,931    | \$82,440,547    | 7%       |
| Net Fixed Assets                                | \$19,830,279    | \$20,996,864    | -6%      |
| Other Assets                                    | \$31,394,426    | \$31,053,601    | 1%       |
| Total Assets                                    | \$1,152,658,836 | \$1,030,167,948 | 12%      |
| Liabilities and Equity                          | 2018            | 2017            | % Change |
| Total Liabilities                               | \$15,780,095    | \$18,192,655    | -13%     |
| Total Members Equity                            |                 |                 |          |
| Total Savings                                   | \$255,367,345   | \$248,193,253   | 3%       |
| Total Checking                                  | \$241,415,048   | \$230,286,583   | 5%       |
| Total Money Market                              | \$296,855,438   | \$294,476,764   | 1%       |
| Total IRA                                       | \$22,871,973    | \$25,897,770    | -12%     |
| Total Certificates                              | \$206,719,707   | \$106,836,675   | 93%      |
| Total Deposits                                  | \$1,023,229,511 | \$905,691,045   | 13%      |
| Net Worth                                       | \$113,649,229   | \$106,284,238   | 7%       |
| Total Liabilities, Member Deposits and Reserves | \$1,152,658,836 | \$1,030,167,948 | 12%      |

## Highlights & Income Statement

| Highlights                | 2018         | 2017         | % Change |
|---------------------------|--------------|--------------|----------|
| Members                   | 89,261       | 83,890       | 6%       |
| Saving Accounts           | 101,276      | 95,638       | 6%       |
| Checking Accounts         | 53,842       | 50,405       | 7%       |
| IRAs                      | 3,333        | 2,943        | 13%      |
| Money Market              | 7,544        | 7,263        | 4%       |
| Certificates              | 6,523        | 2,749        | 137%     |
| Online Banking Users      | 53,109       | 51,364       | 3%       |
| Mobile Banking Users      | 41,864       | 36,003       | 16%      |
| Bill Pay Users            | 21,219       | 19,780       | 7%       |
| Income Statement          | 2018         | 2017         | % Change |
| Interest on Loans         | \$44,187,598 | \$37,946,886 | 16%      |
| Interest on Investments   | \$2,798,592  | \$4,283,432  | -35%     |
| Interest Expense          | \$5,136,669  | \$4,718,976  | 9%       |
| Net Interest Income       | \$41,849,521 | \$37,511,342 | 12%      |
| Non-Interest Income       | \$15,751,809 | \$14,565,741 | 8%       |
| Operating Expenses        | \$45,775,954 | \$43,871,137 | 4%       |
| Provision for Loan Losses | \$3,759,972  | \$3,401,360  | 11%      |
| Net Income                | \$8,065,404  | \$4,804,586  | 68%      |



Experience the  
*TruDifference*

Helping you  
achieve your  
financial goals

# Supervisory Committee's 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 review compliance with policies, procedures, legal and other requirements. We are the "watchdog" of the credit union.

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 that TruWest® Credit Union 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 these efforts, we are happy to report that TruWest is operating with a system of strong internal controls and is a sound financial institution. We are pleased with the actions taken and the standards upheld in 2018, and we 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 that 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 trusted financial solutions and services, 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:

"Anyone can become a TruWest member, easily interact with TruWest from wherever they are, and experience the benefit of the *TruDifference* in their lives."



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

Advocates for members' needs and interests

Our Board Members 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.

# 2018



Tom Cumiskey (AZ)

**Board of Directors**  
Position: Chairman  
Term Expiration: 2021



Rick O'Connor (AZ)

**Board of Directors**  
Position: Vice Chairman  
Term Expiration: 2019



Tim Niesz (AZ)

**Board of Directors**  
Position: Secretary  
Term Expiration: 2020



Susanna DeFranco (AZ)

**Supervisory Committee**  
Position: Chairman  
Term Expiration: 2020



Scott Johs (AZ)

**Board of Directors**  
Position: Treasurer  
Term Expiration: 2020



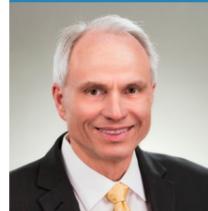
David Holody (TX)

**Board of Directors**  
Term Expiration: 2020



Steve Benton (AZ)

**Supervisory Committee**  
Term Expiration: 2019



Jeff Homer (AZ)

**Board of Directors**  
Term Expiration: 2019



Mike Moulton (TX)

**Board of Directors**  
Term Expiration: 2021



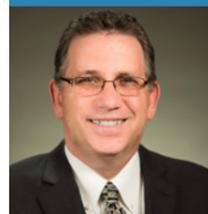
Dean Dresser (TX)

**Supervisory Committee**  
Term Expiration: 2020



David Prechtel (AZ)

**Board of Directors**  
Term Expiration: 2019



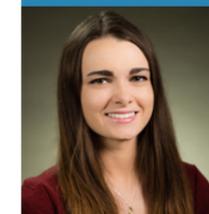
Mike Vasko (AZ)

**Board of Directors**  
Term Expiration: 2021



Stephanie Sanchez (AZ)

**Supervisory Committee**  
Term Expiration: 2021



Caitlin Bohrer (AZ)

**Advisory Committee**  
Term Expiration: 2019





**TruWest® Credit Union**  
Insured by NCUA

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