



TruWest® Credit Union

# Annual Report

---

2019

# Annual Meeting: Agenda

Meeting begins at 5:30 p.m.

<b>Call to Order and Welcome</b>	Rick O'Connor
· Recognition of Guests	
· Approval of Minutes	
<hr/>	
<b>Reports from Officials</b>	
· Chairman of the Board	Rick O'Connor
· Treasurer	Scott Johs
· Supervisory Committee Chairman	Steve Benton
· President & CEO	Alan Althouse
<hr/>	
<b>Unfinished Business</b>	Rick O'Connor
<hr/>	
<b>Board of Directors Election Report</b>	Susanna DeFranco
<hr/>	
<b>Questions from the Floor</b>	Rick O'Connor & Alan Althouse
<hr/>	
<b>Adjournment</b>	Rick O'Connor
<hr/>	

# 2019

## Annual Report

### Table of Contents

Chairman and President & CEO's Letter	4
Treasurer's Letter	7
Financial Report	9
Supervisory Committee's Letter	12
Senior Leadership	13
Board of Directors	15



# A Letter from the Chairman and President & CEO



**Rick O'Connor**  
Chairman



**Alan Althouse**  
President & CEO

## Chairman and President & CEO's Letter

Rick O'Connor & Alan Althouse

TruWest® Credit Union delivered another record-breaking performance in 2019. Financially, TruWest maintained a solid capital position, ending the year with a strong ratio of 10.2%—easily surpassing the 7% level our regulatory authority requires for a “well capitalized” designation. As an indication of our financial strength, TruWest Credit Union once again received a five-star rating from Bauer Financial, the highest rating possible. In 2019, TruWest reached several all-time high levels, including total loans and total deposits now both well over \$1.0 billion, assets surpassing \$1.2 billion, and net income of over \$9.5 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 2019 members gave TruWest another high vote of confidence with an NPS of 69%, up from 67% last year. This places us above such well-regarded brands as Apple, Ritz-Carlton, and USAA Insurance.

Members also gave TruWest a superior branch service quality score in 2019 of 6.81 (out of a maximum of 7.0). Our strong growth in memberships continued last year as well, a result of the outstanding value we provide. At the close of 2019, we had 93,556 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; and continually enhancing our members' online and mobile experiences.

These critical strengths served to build a strong foundation as we seek to serve our members in the COVID-19 pandemic we find ourselves in today. Several key initiatives launched at the start of 2019, that will assist us today, include:

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

An example of a Reduce Friction initiative is “ID Capture”, designed to eliminate the necessity of reviewing a member’s identification, such as their driver’s license, each time they visit a branch. In large part due to Reduce Friction initiatives like this, 2019 operating costs rose less than 4%, while revenue rose over 9.6%. Our budget for 2020 forecasts operating cost growth of just 1.3%, which is below the rate of inflation.

**Contributing Member Recognition:** Some members have their direct deposit with TruWest and use multiple products 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—through special rates and 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.

In 2019, we launched two new checking accounts designed to reward our contributing members—Cash Back and High Yield. Our High Yield account, for example, pays qualifying members a dividend of 3% on balances up to \$10,000. With the recent stock market turbulence and decline in market interest rates, earning 3% on checking account balances provides members a safe haven and a true reward for their loyalty.

TruWest finds itself well positioned to weather the current storm of the COVID-19 Pandemic, and to assist its members in these challenging times. We crafted a Pandemic Plan over 10 years ago, and have rehearsed it regularly since then. That plan was implemented in February, 2020, and many steps have been taken since then to serve our members, assure the safety of our members and staff and ensure the uninterrupted operation of the Credit Union.

Key efforts have focused on three areas:

**Service:** In order to assure the safety of our members and of our staff, we have transitioned to drive-through service at our branches, with limited, appointment-only service in our lobbies. Staff have been shifted to our Call Center, to assure quick service for our members. Our robust mobile and online service capabilities are being used more than ever by members—providing the ultimate in social distancing safety.

**Quick and Easy Member Access to Funds:** We have increased our daily ATM withdrawal limits, eliminated early withdrawal fees for investment certificates (CDs), as well as fees on Christmas Club account withdrawals.

**Assistance for Members Impacted Financially by COVID-19:** We are offering fee free skip payments on consumer loans, including auto and credit card loans. We are also providing payment relief to members with mortgage loans who were impacted financially by this pandemic.

Our 2019 achievements could not have happened without the support of our members. We are thankful for your continued participation, and you can rest assured your Credit Union is here to help in the challenging times we now find ourselves in.



Our 2019 achievements could not have happened without the support of our members.”

# Treasurer's Letter

Scott Johs

# 2019

As Treasurer for TruWest® Credit Union, I am pleased to report that the credit union had another outstanding year of 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 our 2019 financial results.

- TruWest continued having record asset growth, surpassing \$1.2B, an increase of 5.3% from the previous year, with total member deposits of \$1.07B, an increase of 5.0%
- Membership continued to grow, up 4.8% to 93,556
- As more members chose TruWest for their lending needs, they helped the loan portfolio reach \$1.02B in total loans outstanding.
- TruWest's capital ratio, a key measure of financial stability and soundness, grew to 10.21%
- Total TruWest revenue was \$68.8M
- Operating expenses were \$47.6M, supporting TruWest's mission of providing solutions for members to meet their financial goals
- TruWest's net income increased to \$9.5M, an all-time high
- Dividends paid in 2019 increased significantly to \$8.1M

As a member, you are also an owner and a valuable partner in TruWest's success. With that in mind, I join Rick O'Connor, 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 **\$1.2B**



## TOTAL MEMBERSHIPS

Membership continued to grow, up **4.8%** to **93,556**.



## NET INCOME

TruWest's net income increased to **\$9.5M**, an all-time high.

# Financial Report 2019

Total Assets	2019	2018	2017	Member Deposits	2019	2018	2017
	\$1,213,835,938	\$1,152,658,836	\$1,030,167,948		\$1,074,477,172	\$1,023,229,511	\$905,691,045

Member Loans	2019	2018	2017	Net Worth Ratio	2019	2018	2017
	\$1,019,213,709	\$1,018,134,921	\$899,798,151		10.2%	9.9%	10.3%

## Balance Sheet

Assets	2019	2018	% Change
Loan to Members	\$1,019,213,709	\$1,018,134,921	0.1%
Allowance for Loan Loss	-\$5,095,128	-\$4,890,721	4.2%
Net Loans	\$1,014,118,581	\$1,013,244,200	0.1%
Total Investments	\$145,529,830	\$88,189,931	65.0%
Net Fixed Assets	\$14,366,114	\$19,830,279	-27.6%
Other Assets	\$39,821,413	\$31,394,426	26.8%
Total Assets	\$1,213,835,938	\$1,152,658,836	5.3%
Liabilities and Equity	2019	2018	% Change
Total Liabilities	\$15,246,158	\$15,780,095	-3.4%
Total Members Equity			
Total Savings	\$273,699,379	\$255,367,345	7.2%
Total Checking	\$259,526,671	\$241,415,048	7.5%
Total Money Market	\$302,550,164	\$296,855,438	1.9%
Total IRA	\$24,973,378	\$22,871,973	9.2%
Total Certificates	\$213,727,580	\$206,719,707	3.4%
Total Deposits	\$1,074,477,172	\$1,023,229,511	5.0%
Total Reserves	\$124,112,608	\$113,649,229	9.2%
Total Liabilities, Member Deposits and Reserves	\$1,213,835,938	\$1,152,658,836	5.3%

## Highlights & Income Statement

Highlights	2019	2018	% Change
Members	93,556	89,261	4.8%
Saving Accounts	105,641	101,276	4.3%
Checking Accounts	52,615	53,842	-2.3%
IRAs	3,206	3,333	-3.8%
Money Market	7,685	7,544	1.9%
Certificates	6,860	6,523	5.2%
Online Banking Users	57,033	53,109	7.4%
Mobile Banking Users	45,744	41,864	9.3%
Bill Pay Users	21,434	21,219	1.0%
Income Statement	2019	2018	% Change
Interest on Loans	\$49,591,587	\$44,187,598	12.2%
Interest on Investments	\$3,080,381	\$2,798,592	10.1%
Interest Expense	\$8,116,851	\$5,136,669	58.0%
Net Interest Income	\$44,555,117	\$41,849,521	6.5%
Non-Interest Income	\$18,901,911	\$15,751,809	20.0%
Operating Expenses	\$50,318,051	\$45,775,954	9.9%
Provision for Loan Losses	\$3,598,192	\$3,759,972	-4.3%
Net Income	\$9,540,785	\$8,065,404	18.3%

Experience the  
*TruDifference*  
Helping you  
achieve your  
financial goals

# Supervisory Committee's Letter

Steve Benton, Susanna DeFranco,  
Brian Pickett & Rebecca Plantz

**The Board of Directors appoints the Supervisory Committee to monitor credit union operations, ensure practices and procedures are sufficient to safeguard members' assets and review compliance with policies, 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 ensures the audits are performed and that TruWest® Credit Union addresses deficiencies and completes any corrective actions.

**In addition, the committee:**

1. Ensures that accounting records and financial reports are prepared timely and accurately;
2. Makes sure that plans, policies and control procedures are established and properly administered;
3. Determines whether proper internal controls are in place; and
4. Confirms that members receive the best possible service.



The Supervisory Committee is pleased to report that TruWest is operating with a solid foundation of internal controls, and the financial condition of the credit union is accurately presented. We are satisfied with the actions taken and the standards upheld in 2019, and we look forward to a continued engagement 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 Leadership

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

## Our Mission

## Our Vision

---

### 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

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.”

Front Row:

**Farid Farbod** Senior Vice President and Chief Lending Officer  
**Gary Bernard** Executive Vice President and Chief Operations Officer  
**Alan Althouse** President and Chief Executive Officer  
**Alysse Medina** Senior Vice President and Chief Legal 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



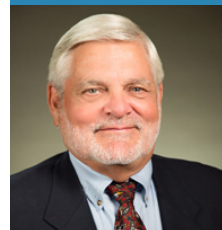
Rick O'Connor (AZ)

**Board of Directors**  
Position: Chairman  
Term Expiration: 2022



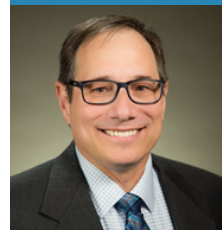
Tom Cummiskey (AZ)

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



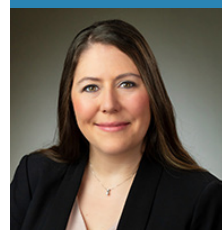
Tim Niesz (AZ)

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



Scott Johs (AZ)

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



Susanna DeFranco (AZ)

**Board of Directors**  
Term Expiration: 2022



Steve Benton (AZ)

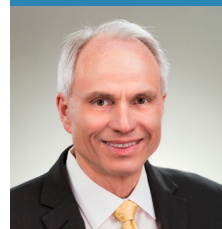
**Supervisory Committee**  
Position: Chairman  
Term Expiration: 2022

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.



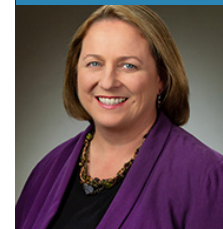
David Holody (TX)

**Board of Directors**  
Term Expiration: 2020



Jeff Homer (AZ)

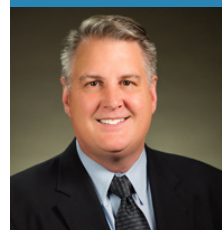
**Board of Directors**  
Term Expiration: 2022



Rebecca Plantz (AZ)

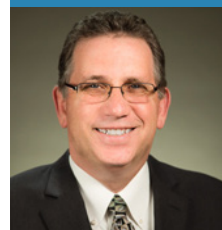
**Supervisory Committee**  
Term Expiration: 2020

# 2019



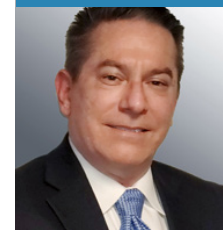
Mike Moulton (TX)

**Board of Directors**  
Term Expiration: 2021



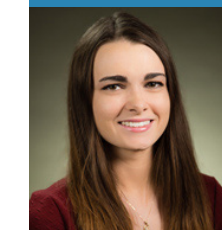
Mike Vasko (AZ)

**Board of Directors**  
Term Expiration: 2021



Brian Pickett (AZ)

**Supervisory Committee**  
Term Expiration: 2021



Caitlin Bohrer (AZ)

**Advisory Committee**  
Term Expiration: 2020



**TruWest® Credit Union**  
Insured by NCUA

1667 N Priest Dr, Tempe, AZ 85281  
1 (855) 878-9378  
[truwest.org](http://truwest.org)  
NMLS ID 640299