



TruWest[®] Credit Union

Annual Report

2020

2020

Annual Meeting: Agenda

Meeting begins at 5:30 p.m.

Call to Order and Welcome Rick O'Connor

- Recognition of Guests and Leadership
- Approval of Minutes

Reports from Officials

- Chairman of the Board Rick O'Connor
- Treasurer Scott Johs
- Supervisory Committee Chairman Steve Benton
- President & CEO Alan Althouse

Board of Directors Election Report Susanna DeFranco

Unfinished Business Rick O'Connor

Questions from the Floor Rick O'Connor & Alan Althouse

Adjournment Rick O'Connor

Annual Report

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Chairman and President & CEO's Letter

Rick O'Connor & Alan Althouse



A Letter from the Chairman and President & CEO



Rick O'Connor
Chairman



Alan Althouse
President & CEO

2020 was a year of global challenges. TruWest® Credit Union found itself well-positioned to weather the storm of the COVID-19 pandemic and to assist its members through loan payment relief, fee waivers and more. 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 were taken to serve our members, assure the safety of our members and staff and ensure the uninterrupted operation of the Credit Union.

Despite the many challenges of 2020, TruWest delivered another record-breaking financial performance. TruWest maintained a solid capital position, ending the year with a strong capital ratio of 9.9%—easily surpassing the 7% level our regulatory authority requires for a “well-capitalized” designation. As an indication of our financial strength, TruWest once again received a five-star rating from Bauer Financial, their highest rating.

In 2020, TruWest reached several all-time financial performance records, including total deposits now over \$1.2 billion, assets well over \$1.3 billion, and net income of over \$11.3 million. Loans originated to our members achieved yet another record, up 20% from the prior year, to nearly \$600 million.

As COVID-19 hit early in the year, many of our members faced financial difficulties. We sprang to action, providing payment relief to members with mortgage loans totaling over \$17 Million, to members with auto loans totaling over \$57 Million, and to members with other loans totaling nearly \$14 Million. In all, we assisted over 2,700 of our borrowing members through these difficult times. By the end of 2020, 91% of those members were “back on their feet” paying on their loans and, as of this writing, that number has risen to over 96%.

We waived over \$340,000 in fees, including excess savings withdrawal fees and early termination fees on certificates of deposit, making it easier for members to access

their funds when needed. To keep members safe in our branches, we upgraded all branch HVAC filters, ran outside air into the branches after hours, installed plexiglass safety barriers, performed electrostatic disinfecting, supplied masks to members and staff, placed hand sanitizers in our branches and more. Throughout the pandemic, we have continually monitored guidance from the CDC and state agencies, and adjusted our procedures as that guidance changed.

Our ability to provide members with exceptional service and value is the cornerstone of TruWest's financial stability. The definition of exceptional service evolved throughout 2020 as the pandemic required us to move to drive-thru service only in our branches for part of the year. Our robust mobile and online service capabilities were then used more than ever by members—providing the ultimate in social distancing safety. As use of our digital channels and contact center rose, we shifted staff and other resources as necessary.

We survey our members every year through the Net Promoter Score (NPS) process and in 2020 members gave TruWest another high vote of confidence with an NPS of 61%. This places among the most well-regarded of brands such as Apple, Microsoft and Amazon. Members also gave TruWest a superior branch service quality score in 2020 of 6.80 (out of a maximum of 7.0). Recognizing that our staff who provide this exceptional service is the heart of TruWest, we acted promptly to keep them safe as well. We provided additional paid time off to all staff, including paying for them to quarantine at home when necessary, flexible work hours for those with child care needs and special bonus pay and gifts for the "front-line" employees in our branches. At headquarters, we moved large numbers of staff to a "work from home" setting to limit their potential exposure to COVID-19.

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 the efficient, low-cost operations necessary to deliver superior value to their consumers. Our "Reduce Friction" goal is about becoming faster, easier and providing a lower cost for you, our members. An example of a Reduce Friction initiative is "voice authentication", which not only saves members

over 60 seconds each time they call our contact center, but also reduces the risk of identity theft. In part due to Reduce Friction initiatives like this, 2020 operating costs rose less than 1.5%, even as our assets grew over 12.7%.

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, gives 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.

Contributing member benefits include our Cash Back and High Yield checking accounts. Our High Yield account, for example, pays qualifying members a dividend of 3% on balances up to \$10,000. With the recent decline in market interest rates, earning 3% on checking account balances provides members a safe haven and a true reward for their loyalty.

Our 2020 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 coming year and for years to come.



2020 was a year of global challenges. TruWest found itself well-positioned to weather the storm of the COVID-19 pandemic, and to assist its members through loan payment relief, fee waivers and more."

Treasurer's Letter

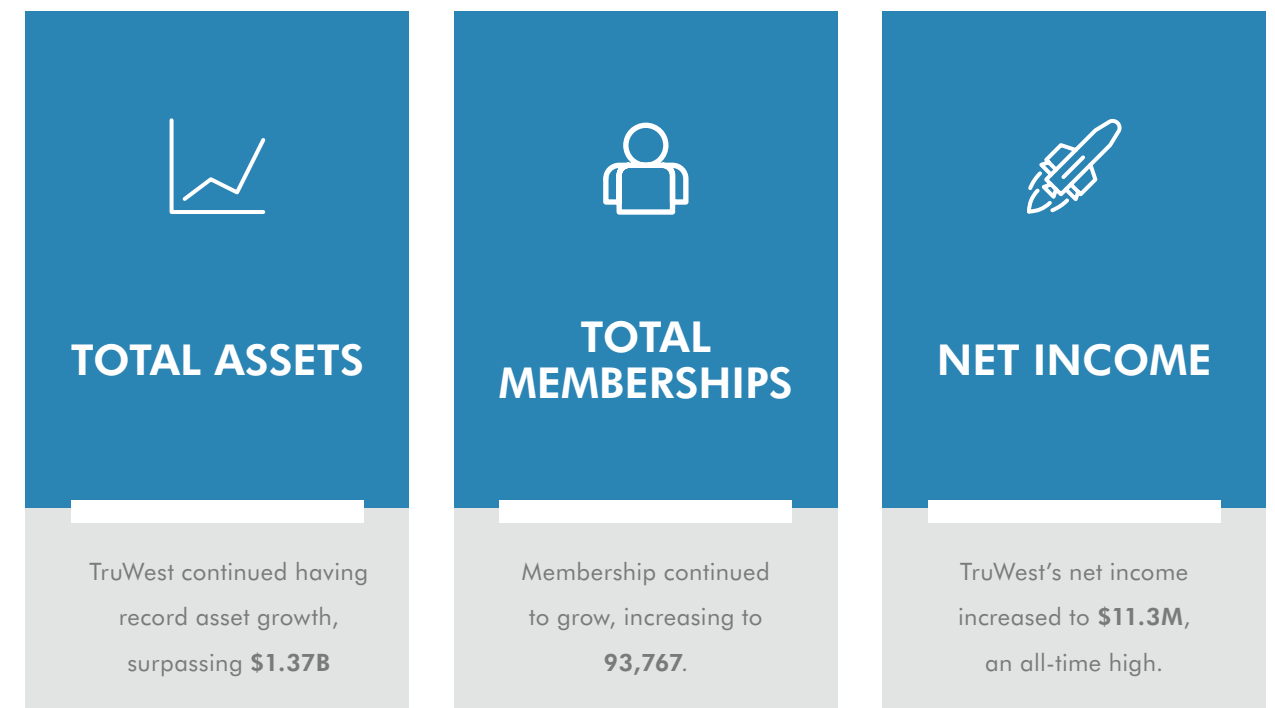
Scott Johs

2020

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 2020 financial results.

- TruWest continued having record asset growth, surpassing \$1.37B, an increase of 12.7% from the previous year, with total member deposits of \$1.21B, an increase of 13.1%
- As members chose TruWest for their lending needs, they helped the loan portfolio remain strong with \$978M in total loans outstanding
- TruWest's capital ratio, a key measure of financial stability and soundness, is at 9.88%
- Total TruWest revenue was \$66.9M
- Operating expenses were \$48.2M, supporting TruWest's mission of providing solutions for members to meet their financial goals
- TruWest's net income increased to \$11.3M, an all-time high
- Dividends paid to members in 2020 were \$6.0M
- Membership continued to grow, increasing to 93,767

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.



Financial Report 2020

Total Assets	2020	2019	2018	Member Deposits	2020	2019	2018
	\$1,368,227,248	\$1,213,835,938	\$1,152,658,836		\$1,214,743,218	\$1,074,477,171	\$1,023,229,511

Member Loans	2020	2019	2018	Net Worth Ratio	2020	2019	2018
	\$978,328,713	\$1,019,213,709	\$1,018,134,921		9.9%	10.2%	9.9%

Balance Sheet

Assets	2020	2019	% Change
Loan to Members	\$978,328,713	\$1,019,213,709	-4.0%
Allowance for Loan Loss	-\$6,589,467	-\$5,095,128	29.3%
Net Loans	\$971,739,245	\$1,014,118,581	-4.2%
Total Investments	\$332,886,764	\$145,529,830	128.7%
Net Fixed Assets	\$13,255,353	\$14,366,114	-7.7%
Other Assets	\$50,345,886	\$39,821,413	26.4%
Total Assets	\$1,368,227,248	\$1,213,835,938	12.7%
Liabilities and Equity	2020	2019	% Change
Total Liabilities	\$17,454,181	\$15,246,158	14.5%
Total Members Equity			
Total Savings	\$345,183,664	\$273,699,379	26.1%
Total Checking	\$347,065,293	\$259,526,671	33.7%
Total Money Market	\$374,457,669	\$302,550,164	23.8%
Total IRA	\$27,314,217	\$24,973,378	9.4%
Total Certificates	\$120,722,375	\$213,727,580	-43.5%
Total Deposits	\$1,214,743,218	\$1,074,477,171	13.1%
Total Reserves	\$136,029,849	\$124,112,608	9.6%
Total Liabilities, Member Deposits and Reserves	\$1,368,227,248	\$1,213,835,938	12.7%

Highlights & Income Statement

Highlights	2020	2019	% Change
Members	93,767	93,556	0.2%
Saving Accounts	105,877	105,641	0.2%
Checking Accounts	52,400	52,615	-0.4%
IRAs	2,987	3,206	-6.8%
Money Market	7,723	7,685	0.5%
Certificates	3,966	6,860	-42.2%
Online Banking Users	59,222	57,033	3.8%
Mobile Banking Users	49,131	45,744	7.4%
Bill Pay Users	21,402	21,434	-0.1%

Income Statement	2020	2019	% Change
Interest on Loans	\$45,712,296	\$49,591,587	-7.8%
Interest on Investments	\$2,327,230	\$3,080,381	-24.4%
Interest Expense	\$5,971,035	\$8,116,851	-26.4%
Net Interest Income	\$42,068,491	\$44,555,117	-5.6%
Non-Interest Income	\$22,007,815	\$18,966,848	16.0%
Non-Interest Expense	\$48,309,083	\$50,382,988	-4.1%
Provision for Loan Losses	\$4,445,507	\$3,598,192	23.5%
Net Income	\$11,321,716	\$9,540,785	18.7%



Experience the
TruDifference

Helping you
achieve your
financial goals

Supervisory Committee's Letter

Steve Benton, Brian Pickett, Rebecca Plantz

The TruWest Supervisory Committee is responsible for ensuring sufficient internal controls, policies and procedures are designed and properly established to protect members' assets. The committee consists of volunteers who apply to the position and are appointed by the Board of Directors.

To perform its duties the committee oversees and reviews the activities of the internal audit function, selects the external auditing firm, and ensures regulatory and internal audits are regularly conducted. TruWest also engages with various other regulatory agencies including the National Credit Union Administration, the Arizona Department of Financial Institutions and the Texas Credit Union Department for respective audits and compliance activities. In 2020, CliftonLarsonAllen, LLP was retained as the external audit firm for TruWest.

Based on the results of the independent audits and duties performed by the committee, we are pleased to report the financial condition of the credit union is accurately represented and a solid internal control environment exists to protect our members assets.

The Supervisory Committee is honored to serve our members and we thank you for making TruWest your trusted financial institution.





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 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:

Members can 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



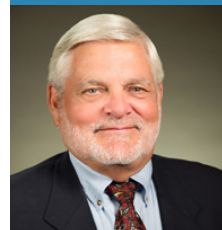
Rick O'Connor (AZ)

Board of Directors
Position: Chairman
Term Expiration: 2022



Tom Cummiskey (AZ)

Board of Directors
Position: Vice Chairman
Term Expiration: 2024



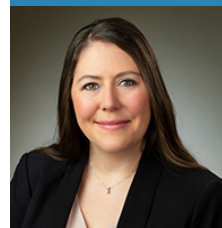
Tim Niesz (AZ)

Board of Directors
Position: Secretary
Term Expiration: 2023



Scott Johs (AZ)

Board of Directors
Position: Treasurer
Term Expiration: 2023



Susanna DeFranco (AZ)

Board of Directors
Term Expiration: 2022



Steve Benton (AZ)

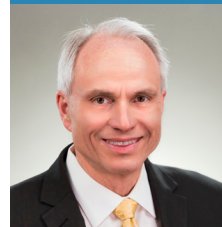
Supervisory Committee
Position: Chairman
Term Expiration: 2022

Our Board Committee 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: 2023



Jeff Homer (AZ)

Board of Directors
Term Expiration: 2022



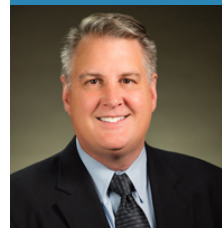
Rebecca Plantz (AZ)

Supervisory Committee
Term Expiration: 2023



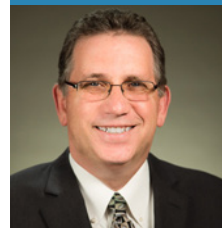
Caitlin Davison (AZ)

Advisory Committee
Term Expiration: 2022



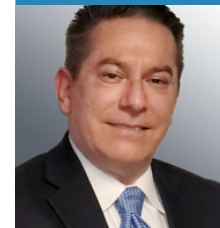
Mike Moulton (TX)

Board of Directors
Term Expiration: 2024



Mike Vasko (AZ)

Board of Directors
Term Expiration: 2024



Brian Pickett (AZ)

Supervisory Committee
Term Expiration: 2024



Stephanie Williams (AZ)

Advisory Committee
Term Expiration: 2022