


EXPANSION

2 0 1 7 A N N U A L R E P O R T



2017 was a year defined by growth, development and progress. It was a year in which we pushed against the possibilities by expanding our reach through strategic partnerships and new offerings. We grew our membership throughout the US, while ensuring that we continued to satisfy and provide both the value and service you expect. A successful year for all, with more to come.

EXPANSION



Mical Atz Brenzel

A Message from the **CHAIRMAN OF THE BOARD OF DIRECTORS**

When I hear the word “expansion,” I think of a suspension bridge spanning across a broad waterway, connecting two separate pieces of land together. The term is spacious and satisfying. This is how I see Tech CU – broadening its reach to satisfy the financial needs of a growing number of members both in Silicon Valley and across the country with our Tesla and solar system lending programs.

The year 2017 was certainly one of purposeful and profitable growth for our credit union. Financially, total assets grew 13% from \$2.2 billion to \$2.5 billion, net loans reached \$1.8 billion, up 17% from the previous year, and earnings jumped 46% to \$28 million. We recorded some of the best financial performance ratios in our credit union’s history, and Tech CU soared towards the top of our peer group by many financial measures.

But our expansion can be seen through more than just financial statistics. This year, we enlarged the product set we offer to our members. The most notable of these is our solar lending program, created through a strong industry partnership. We scaled our capacity to book solar loans through an online platform – growing this secured lending portfolio to \$300 million – a fivefold increase from last year, significantly extending our lending reach nationwide. We increased our involvement with other financial technology (fintech) companies, establishing partnerships, with for example, a company that helps members consolidate credit card debt, along with HomeAdvantage and a new loan origination system in the mortgage lending area.

Members can gain insight into their own credit scores through SavvyMoney, embedded in our online banking system. They can also get immediate alerts on the usage of their Tech CU Debit and Credit cards through Card Manager, a mobile app. Our technology-enabled retail products, services and channels span across distances, time zones and personal banking preferences for our growing number of members.

We have expanded on the commercial side of the house as well. Commercial lending is a more recent addition to our lending suite, but one in which we now have established ourselves as meaningful players in the commercial real estate, construction, small business and asset-secured lending arenas. We are able to buy and sell loan participations with both bank and credit union counterparties. Commercial loans reached almost \$200 million at the end of the year. We will soon be able to offer business members a full suite of commercial cash management products, enabling us to be fully integrated into the financial operations of the businesses to whom we are lending.

Just as a suspension bridge is only truly iconic if it is functional as well as graceful and solid, expansion for a credit union must be for a purpose, not just bragging rights. We exist to serve the evolving financial needs of our members, and we must always do so in a manner that is unquestionably operationally well-controlled and fiscally sound. Please know that your Board of Directors strives above all to ensure that the expansion of Tech CU is done to give you, our members, the financial products, services and information you need, in the ways that you find most convenient, efficient and secure to enable you to succeed financially.

**There’s no limit possible to the
expansion of each one of us.**

– CHARLES M. SCHWAB



Todd Harris

A Message from the **PRESIDENT AND CEO**

Expansion — defined as the action of becoming larger or more extensive. In 2017, Technology Credit Union certainly accomplished both. Assets ended the year at nearly \$2.5 billion, while our membership grew year-over-year by more than 15,000 to a new record level of 95,313! In fact, by just about any financial measure, Tech CU had a record-breaking year — probably one of the most successful, if not the most productive year, in the credit union’s history.

However, success is best when enjoyed alongside others, and we made sure that our members shared in 2017’s achievements. Some highlights include providing \$932 million in loans to members — the most ever. And, according to our own market research, in 2017, we increased our deposit rates faster and further than any of the large banks or local competitors in our six primary counties. Furthermore, we eliminated our card replacement fee, the pay-by-phone fee, international transaction fees on credit cards, and incoming wire fees. There will also never again be Tech CU-generated fees related to ATMs ... ever. In addition, we removed the direct deposit requirement that was previously needed in order for members to receive the top deposit rate. All of these changes were made in order to provide more financial value to you and improve your experience.

Tech CU also expanded strategic partnerships with fintech companies — specifically in the space of residential and commercial solar power systems and credit card debt consolidation. The solar power programs pay homage to the credit union’s roots in technology — and allow us to utilize funds that would have otherwise remained idle. The use of these funds generated more income, which we then passed on to members in the form of increased deposit rates. The partner we selected for credit card debt consolidation is complementary to the credit union philosophy. The program provides low rates — saving members

money — and includes an educational element along with an innovative credit scoring and support process that increases the success rate of eliminating excessive credit card debt. These strategic partnerships have begun to give us a national presence in other technology ecosystems similar to Silicon Valley across the country. In fact, our residential solar program was so successful in 2017, that Tech CU funded an 11% share of the national residential solar loan market.

In addition to making service and experience enhancements, we also achieved a number of milestones during this past year. Some of these improved ease-of-use, while others enhanced security:

- Our asset based lending CUSO, Tech Capital, achieved break-even financial performance in its second year of operation.
- Introduced cash management services to our commercial and business members.
- Implemented a true “next generation” mortgage origination system with the highest levels of convenience and security.
- Expanded our SavvyMoney services to include a full credit report, in addition to credit scores and credit monitoring — SavvyMoney is offered to all members for free.

EXPANSION

Without continual growth and progress,
such words as improvement, achievement
and success have no meaning.

– BENJAMIN FRANKLIN

- Added a Card Manager app (integrated with our mobile app) allowing you to manage spending and help control fraud on your Tech CU Debit and Credit cards.
- Added to our payment support options to include Google Pay and Samsung Pay.
- Implemented a new company-wide phone system allowing us to manage call volume more efficiently, while laying the foundation for expanded support through our call center.
- And finally, re-organized our retail member-facing functions so that our branches, call center and wealth management functions all report in to one executive.

The success we enjoyed in 2017 brought to our attention an area where we can and should improve. As our membership expanded beyond Silicon Valley into other tech ecosystems, we began working on ways to serve a more geographically dispersed membership. We used 2017's success as a catalyst to launch a multi-year initiative to re-build our technology infrastructure into a more flexible state-of-the-art architecture. The enhanced architecture will allow us to more quickly and seamlessly integrate new and exciting technologies. It will also provide more effective and broader services to our membership, while improving both security and

ease-of-use. With the adoption of online and mobile channels continuing to expand, these advances will equally benefit our Silicon Valley members, as well as those abroad.

Supporting our communities is important to the Tech CU family. We were honored to be named one of Silicon Valley's most philanthropic companies for the third year in a row. And, 2017 was a particularly tough one — with several natural disasters hitting many communities hard. I'm proud to say that employees and members rallied around the American Red Cross, raising money to provide support to the victims. In 2018, we will continue to work with some of the most vulnerable in our community — providing meals, educational support, job placement, and the development of affordable housing. We will also continue partnerships with such non-profits as Stand up for Kids and the Second Harvest Food Bank.

There is a saying I often quote to my colleagues: "With success, comes greater challenges." By just about every standard you can think of, 2017 was a remarkably successful year. Our challenge and our opportunity is to build upon this success — providing an ever better experience to our members. You have many choices when it comes to your financial institution, and we greatly appreciate your membership. At Tech CU, we have your best interests at heart and look forward to continuing to serve you in the years ahead.



Richard Hanz

A Message from the **CHIEF FINANCIAL OFFICER**

2017 was an exceptional year for Tech CU as we continued to expand our business, our branches and our offerings. We posted record assets of \$2.5 billion, loans of \$1.8 billion and deposits of \$2.1 billion — growing the latter two by \$269 million and \$160 million respectively. Even with the strong growth we experienced in 2017, Return on Assets (ROA) increased to 1.12% from 0.87% (in 2016), due to a notable year for net income.

Our credit quality remained excellent, while our net worth ratio remained strong at well above 10%. We funded \$932 million in loans in 2017 — representing a \$120 million increase (15%) over the prior year.

Net income for the year was a record \$27.8 million, compared with \$19.1 million in 2016 — reflecting an increase of \$8.7 million. Provision expense for loan losses was modestly higher and directly related to loan growth, \$1.9 million compared to \$44,000 of the provision expense in 2016 — a year-over-year increase of \$1.8 million. Improved financial results in 2017 were largely tied to our ability to grow loan balances more quickly relative to share balances. The ratio of loans to shares increased to 88% in 2017 from 81% at the end of the prior year. This helped increase the Net Interest Margin, which in turn allowed us to grow capital to support further growth, expand our product offering and pay higher dividends. In 2017, we were able to increase the payout of dividends to members relative to 2016 by \$3.3 million, or 84%.

For the fifth year running, our credit quality measures are among the best in the industry. Total reportable delinquent loans remained low at 0.16%, with the commercial loan portfolio showing no delinquencies at year end. Tech CU experienced a net recovery rate of .02% in 2017 compared to .01% in 2016 — with a coverage ratio of more than 450%. This helped to create an environment where loss reserves needed only a modest increase relative to strong growth in loan balances. Standing at 0.75% of total loans, our allowance remains at the high end of our peer group.

Strong financial performance and exceptional credit quality are key hallmarks of safety and soundness for a financial institution — traits which Tech CU has consistently demonstrated. A more tangible measure is a net worth ratio that ended the year at 10.44%, close to being more than 50% of the NCUA's regulatory benchmark of 7.0% used to identify a credit union as well capitalized (the top rating granted).

In 2017, we continued to invest in our facilities and infrastructure. This included replacing the heating and cooling system at our headquarters — providing tangible cost savings.

Partnerships with key fintechs have helped fuel our recent expansion and produced significant revenue-generating opportunities — advancing our business model and maintaining our strength within the financial industry. This also helps to ensure that we will have the resources to invest and “be there” for our members into the future. A key outcome is that Tech CU has become a leader in clean energy lending — including electric vehicle, residential solar and commercial solar.

Heading into the next year, we will continue to invest in our branch network, enhance ease-of-use, and provide the most favorable pricing. It is our mission to offer our members the services they want, when they want them and through the channel of their choice — be it through our branches, our call center, online or mobile.

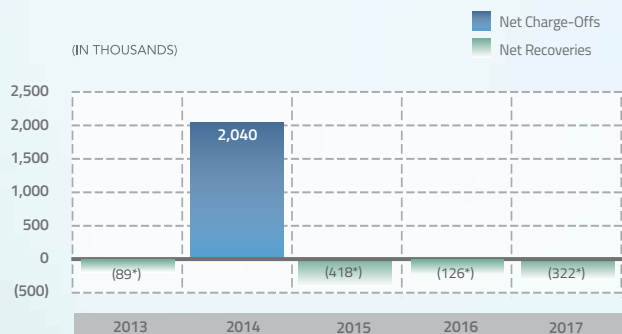
Confidence, capital and credit fuel entrepreneurship and economic expansion.

— ELAINE CHAO

Asset and Capital Growth



Net Charge-Offs



*Recoveries exceeded charge-offs.

Statement of Operations (audited)

(IN THOUSANDS)

Statement of Operations	2013	2014	2015	2016	2017
Interest on Loans	\$37,157	\$36,747	\$42,153	\$49,862	\$65,679
Interest on Investments	8,893	9,835	11,078	12,216	14,057
Total Interest Income	46,050	46,582	53,231	62,078	79,736
Dividends and Interest Expense	3,409	3,403	4,152	5,927	12,022
Net Interest Income	42,641	43,179	49,079	56,151	67,714
Provision for Loan Losses	(5,136)	(1,528)	(223)	44	1,862
Net Interest Income After Provision For Loan Losses	47,777	44,707	49,302	56,107	65,852
Non-interest Income	11,587	11,003	11,057	10,825	12,587
Operating Expense and Non-Operating Expense	42,560	41,074	45,306	47,841	50,645
Net Earnings	\$16,804	\$14,636	\$15,053	\$19,091	\$27,794

Statement of Financial Condition (audited)

(IN THOUSANDS)

Statement of Financial Condition	2013	2014	2015	2016	2017
ASSETS:					
Cash and Cash Equivalents	\$164,723	\$119,210	\$182,095	\$92,151	\$205,660
Investments	647,512	616,260	528,611	474,137	380,238
Loans to Members, Net	908,379	1,050,038	1,309,261	1,581,645	1,848,301
Premises and Equipment	18,304	16,980	18,929	20,016	21,862
Other Assets	23,514	26,068	26,794	29,902	29,999
Total Assets	\$1,762,162	\$1,828,556	\$2,065,690	\$2,197,851	\$2,486,060
LIABILITIES, MEMBER DEPOSITS, AND RESERVES:					
Dividends Payable	\$65	\$63	\$172	\$84	\$102
Accrued Expenses and Other Liabilities	8,585	11,162	9,432	11,865	12,156
Notes Payable	0	0	0	0	100,000
Member Deposits	1,575,375	1,621,112	1,848,884	1,960,679	2,120,817
Total Equity	178,137	196,219	207,202	225,223	252,985
Total Liabilities, Member Deposits, and Reserves	\$1,762,162	\$1,828,556	\$2,065,690	\$2,197,851	\$2,486,060

Supervisory Committee

Tech CU's Supervisory Committee is made up of five volunteer members who are not directors, officers or employees of Tech CU.

The Supervisory Committee is responsible for reviewing the credit union's policies and control procedures to safeguard against fraud and self-dealing and may inspect or cause audits of the securities, cash and accounts of the credit union. The Committee also oversees the annual audit of the credit union's books and records and reports on the assets and liabilities, receipts and disbursements of the credit union to the Board of Directors.

In performing its functions, the Supervisory Committee acts only in an oversight capacity and necessarily relies on the work and assurances of the credit union's management, which has the primary responsibility for financial statements and reports, and of the independent auditors. The auditors express an opinion on the conformity of the credit union's annual financial statements to generally accepted accounting principles. In fulfilling its oversight responsibilities, the Supervisory Committee reviewed the audited financial statements for the fiscal year 2017, discussed them with management, and spoke with the credit union's independent auditors, Turner, Warren, Hwang & Conrad AC, without management present. The Supervisory Committee discussed with the auditors matters required to be discussed by Statement on Auditing Standards No. 114 (The Auditor's Communication with Those Charged with Governance) as amended,

including the auditors' judgment about the quality as well as the acceptability of the credit union's accounting principles, as applied in financial reporting.

Based on the Supervisory Committee's discussion with management and the independent auditors and the Supervisory Committee's review of the report of the independent auditors to the Supervisory Committee, the Supervisory Committee recommended that the Board of Directors approve the audited financial statements for the year ended December 31, 2017.

In addition to the responsibilities described above, the Supervisory Committee is authorized under applicable law to consider potential violations of the California Financial Code or the bylaws, or any practices of the credit union which, in the opinion of the Supervisory Committee, may be unsafe or unauthorized. During the calendar year ended December 31, 2017, the Supervisory Committee did not discover any violations of the California Financial Code or the bylaws or any practices which in the opinion of the Committee were unsafe or unauthorized.

Respectfully submitted,

Bob Luong
Chairman, Supervisory Committee



L to R: Jeffrey M. Lee, Faisal Jeddy, Jessica Cassinelli, Firasat Ali, Bob Luong, Chairman.

EXPANSION

Community and Government Relations

At Tech CU, we understand what it means to be part of a larger community facing difficult challenges. Over the years, we have evolved our program to invest in, and partner with local nonprofits and government agencies in such key areas as: education and workforce development; affordable housing; financial literacy; and health and wellness. These partnerships have created internship opportunities for high school students, supported families through natural disasters, created affordable housing units and provided food to families in need, just to name a few.

A few of our notable activities include:

RESPONSE TO HURRICANES AND WILDFIRES

This past year was a particularly tough and heartbreaking one, both nationwide and locally, with the onslaught of natural disasters. Both our members and employees rallied around the **American Red Cross** — raising thousands of dollars to provide support to the many victims of hurricanes and local wildfires.

STEM EDUCATION MATERIALS AND HANDS-ON EXPERIENCES FOR LOCAL K-12 STUDENTS

Investing in STEM (Science, Technology, Engineering and Math) is key to our community values. Our continued partnerships with **Breakthrough Silicon Valley** and the **Family Giving Tree** ensure that students have both the materials and additional programming necessary to excel in school and succeed in college. We believe in the importance of hands-on learning and have been a long-time supporter of the **Tech Museum's Tech Challenge**.

AFFORDABLE HOUSING IN THE BAY AREA

In this area of vast wealth, affordable housing continues to be a critical issue. Many people are fully priced out of the market. We work directly with legislators and local elected officials to address the housing shortage, in addition to partnering with such organizations as the **Housing Trust of Silicon Valley**. HTSV is dedicated to increasing the number of affordable homes in the region, including assisting families in owning a home. We also support the work of **Downtown Streets Team** — helping to employ and house the homeless population from San Jose to San Francisco.

TEAM TECH CU

In 2017, Team Tech CU volunteered at local schools, participated in the **Silicon Valley Turkey Trot**, wrapped holiday gifts for the **Family Giving Tree**, sorted food for the **Second Harvest Food Bank** and led student networking events at **San Jose State University**. Our executives sit on various boards, including: **Silicon Valley Leadership Group Foundation**, **Joint Venture Silicon Valley**, **The Silicon Valley Organization** and **SVO Foundation**, **Housing Trust of Silicon Valley**, **SJSU Alumni Association** and **West Valley Community Services**.

Since 2007, Tech CU has invested over \$1.6 million in the local community. We are also proud to note that Tech CU has been honored three years running as one of the Top 50 most philanthropic companies in Silicon Valley and San Francisco.

ADDITIONAL ORGANIZATIONS WE SUPPORTED IN 2017 INCLUDE:

- Stand Up for Kids Silicon Valley
- American Red Cross
- WANDA (Women's Achievement Network and Development Alliance)
- Morgan Autism Center
- YWCA Silicon Valley
- Full Circle Fund
- Cancer CarePoint
- Project WeHope

In 2018, we plan to focus on innovative solutions to some of our educational challenges, such as increasing diversity in STEM. This includes a partnership with the **San Jose Tech Museum's Girls at the Tech program**, which strives to inspire the next generation of female scientists and engineers. We will also continue our efforts with the **Housing Trust of Silicon Valley** — both advocating for and funding affordable housing development.

Also beginning in 2018, we have further enhanced our current employee volunteer time off program. This includes making a donation in an employee's name to the charity of their choice once they have completed 8 hours of volunteering.

Through our continued investment of time, talent, and treasure we hope to make a positive impact on the educational outcomes, housing availability, financial stability, and health and wellness of those who live in our community.

Board of Directors



L to R: Joe Shepela; Jack Wedgwood; Peter Donahower; Mical Atz Brenzel, Chairman; Robert E. Bylin, Vice Chairman; Todd Harris, CEO & Treasurer/Secretary; Barbara Kamm; Karen Brochier; Kirk Bloede; Rob Herb and Sunil Nagdev.

Executive Committee



L to R: Mike Floyd, EVP/Chief Credit Officer; Joe Anzalone, EVP/Chief Commercial Banking Officer; Jeannine Jacobsen, EVP/Chief Operating Officer; Todd Harris, President and CEO; Richard Hanz, EVP/Chief Financial Officer and Robert Reed, EVP/Chief Retail Banking Officer.

