



# sixty years strong

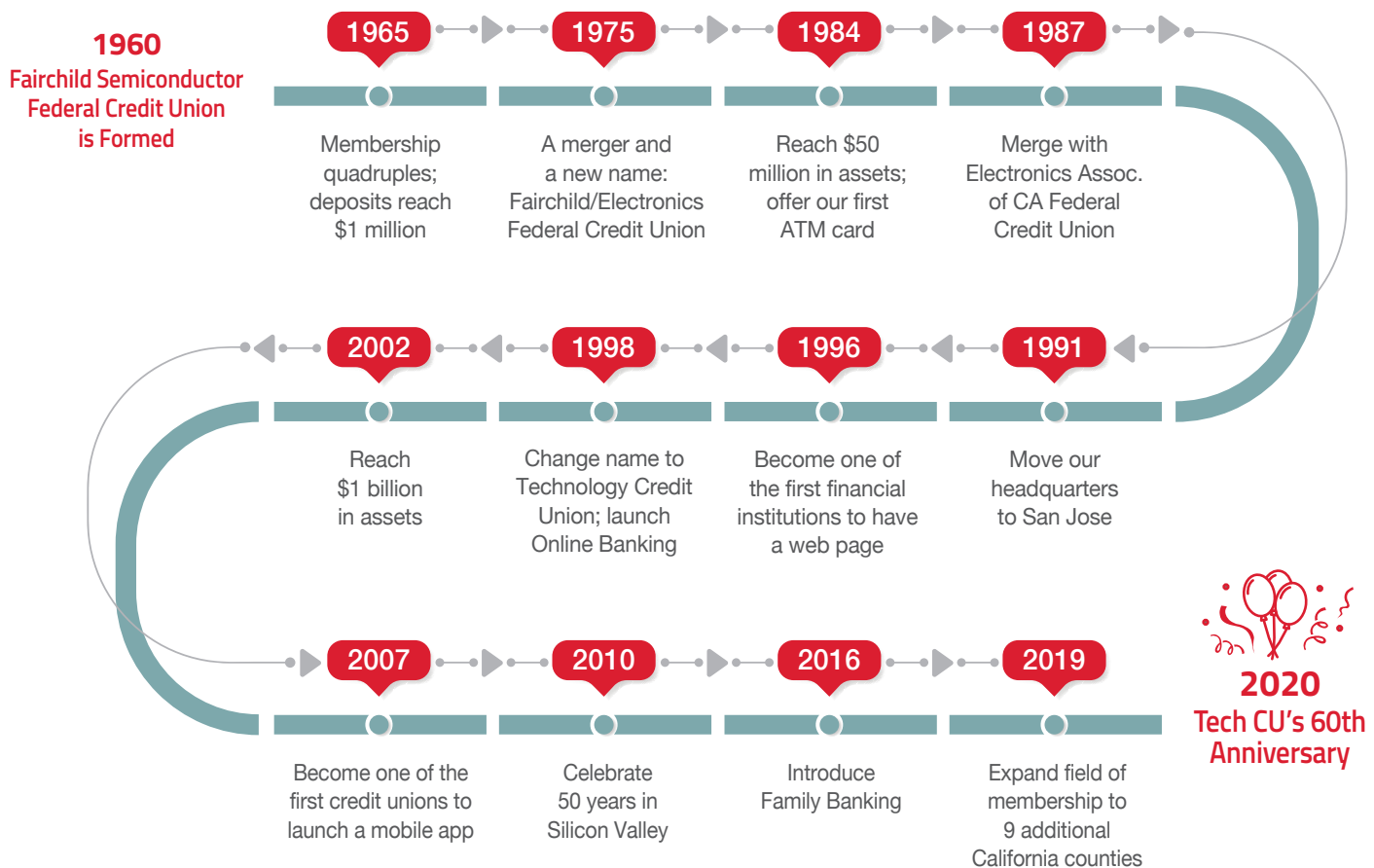
2020 ANNUAL REPORT  
SERVING OUR MEMBERS SINCE 1960

# Serving Our Members Since 1960

MORE THAN SIXTY YEARS AGO, a group of forward-thinking Silicon Valley employees wanted a better way to manage their money. With a few thousand dollars and a couple of accounts, they formed a credit union solely dedicated to the financial success of its members. Tech CU is now one of the 100 largest credit unions in the U.S. and a leader in the Bay Area with 10 full-service branches.

Grounded in serving the financial needs of our members, we are proud to be 60 years strong and to be your financial partner. We will continue to invest our resources to deliver superior rates and outstanding service and benefits so that you can continue to build an even stronger future.

## MEMORIES AND MILESTONES







Ranked among the top 5  
best-performing credit unions  
in CA for 4 years\*

Ranked among the top 20  
best-performing credit unions  
in the U.S. for 4 years\*

Ranked one of the 100 largest  
credit unions in the U.S.\*\*



**139,000**

Members



**15** Counties in  
California

## CORE VALUES



**Accelerate**

We view challenges  
as opportunities



**Collaborate**

We communicate and  
work together



**Innovate**

We foster creative thinking



**Cultivate**

We recognize potential



**\$3.7 BILLION**

In Assets

\*S&P Global Market Intelligence \*\*creditunionsonline.com



**Todd Harris**  
President and CEO



**Mical Atz Brenzel**  
Chair of the Board of Directors

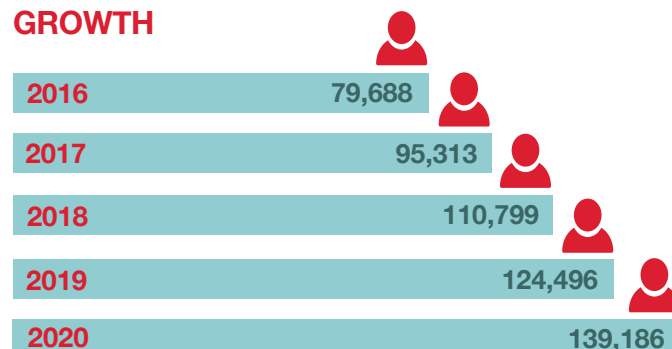
## A Message from our CEO & Board Chair

# Thank You for Making Us 60 Years Strong

In 2020, we celebrated our 60th anniversary. It's hard to believe that we were founded on May 27, 1960 by the innovative employees of Fairchild Semiconductor. While we are thrilled to have reached that milestone, 2020 did not turn out as any of us had anticipated. We were all challenged, stressed, and unsettled by the COVID-19 pandemic. However, through hard work and determination, Tech CU was able to come out stronger than before. We learned new ways to grow and serve members, while providing market-leading deposit rates and convenient access to credit.

We know it was a tough year, and we want to thank you for your loyalty. The choices available for financial service providers continue to grow, and we truly appreciate the opportunity to provide solutions to your financial needs. We want to thank our Board of Directors, Supervisory Committee, and all of our staff for their commitment to supporting the objectives of the organization. We are particularly grateful to our branch staff, who went above and beyond as they continued to report in-person for work in order to fully serve our members.

### MEMBERSHIP GROWTH





## 2020 — Looking Back

The way we evaluated our achievements changed due to COVID-19. **We did grow to nearly \$3.7 billion in assets and 139,000 in members**; however, what we see as one of our biggest achievements was our ability to pivot to a largely remote workforce and continue to help our members when they needed us most. We:

- **Provided more than \$99 million in Payment Protection Program (PPP) loans**, helping more than 477 businesses obtain the funds they needed to keep their business open during the COVID-19 lockdowns.
- Launched a loan payment deferral program, allowing qualified borrowers to postpone payments for a variety of loan types, including mortgages, auto loans, personal loans, and solar loans. **We deferred 1,898 loans for members hit hard by COVID-19.**
- **Accelerated our community giving** and made sure our donations went where they were most needed — to front line workers, food banks, and schools who desperately needed to adapt their programs to remote learning.



The COVID-19 crisis has had particularly severe impacts on our lowest-income residents. Thanks to the support of organizations, like Tech CU, we've been able to provide desperately-needed financial assistance to thousands of our struggling neighbors.

— JENNIFER LOVING  
CEO of Destination: Home



Since 1991 Tech CU has helped us provide over 250,000 meals for our neighbors in need. Second Harvest of Silicon Valley is grateful for Tech CU's support because we cannot do it without partners like them!

— LEJLA BOJER  
A Corporate Philanthropy Officer  
at Second Harvest of Silicon Valley



We absolutely need our community partners standing with us in this crisis. Some are donating personal protective equipment, some give money, some provide meals to front-line heroes and some, like Tech CU, have been doing ALL THREE.

— CHRIS WILDER  
CEO of Valley Medical  
Center Foundation

## Achievements

- Originated **\$459.1 million in home loans** and financed over **\$748.5 million in solar loans**, helping 23,990 members either buy a new home, refinance their mortgage, or enjoy the power of green energy.
- Cleared more than **\$13.6 billion deposit transactions**.
- Originated commercial real estate, construction, Small Business Administration and commercial & industrial loans totaling over **\$80.6 million**, in addition to PPP loans, helping **numerous local businesses**.
- Originated commitments for **asset-based business lending totaling \$16.5 million** through Tech Capital, our wholly owned subsidiary.
- Exceeded our goals in non-Bay Area California markets with **13%, 16%, and 12.5% year-over-year growth** in deposit, loans, and membership respectively.
- Introduced a robo-advising service through our Tech Financial Management division, providing members with **affordable, automated digital investing services** along with personalized coaching.
- **Piloted our Virtual Branch** — through a secure encrypted platform, members were invited to conduct many of their banking needs remotely.
- And during our 60th anniversary year, we achieved the organizational milestone of garnering **1,000 five-star Yelp reviews**. This tells us that our focus on delivering a topflight membership experience is paying off.



**\$459.1 million**  
in home loans



**\$748.5 million**  
in solar loans



**\$13.6 billion**  
in deposit transactions



**\$80.6 million**  
in business loans



**\$16.5 million**  
in asset-based loans



**1,000**  
five-star Yelp reviews



## What's Next?

The pandemic has created a tremendous learning opportunity for us. We learned how we can do things differently and what works well with our membership. This ability to adapt in the face of adversity is what has helped us navigate the past 60 years to become a **thriving credit union**.

In 2021, we will continue to focus on **WOWing our members** by improving our mobile and online banking experiences. We recently began a multi-year project to replace our mobile and online banking platform so we can provide a more seamless and intuitive member experience. We are also offering **new ways to engage with members, expanding the Virtual Branch**, while continuing to provide some of the strongest deposit rates in the market. We will further leverage our position as a leading partner in the fintech space by continuing to **grow our fintech partnerships and relationships**, with the goal of improving and expanding our member service capabilities. We also plan to launch an initiative that aims to bring credit unions and fintechs together for mutual benefit. Finally, we will expand our physical footprint outside of California for the first time and establish a presence in Boise, Idaho. We will also evaluate other geographic expansion opportunities to serve our increasingly mobile member base. **Our goal through all of these initiatives is to improve your member experience and continue to give back to you, our members, through added convenience and increased security and efficiency.**

We value your business and want to continue to improve upon the high levels of satisfaction you already enjoy. We thank you for making us *sixty years strong*.

### MISSION

Deliver a member experience that WOWs, and **empower our members to succeed financially**



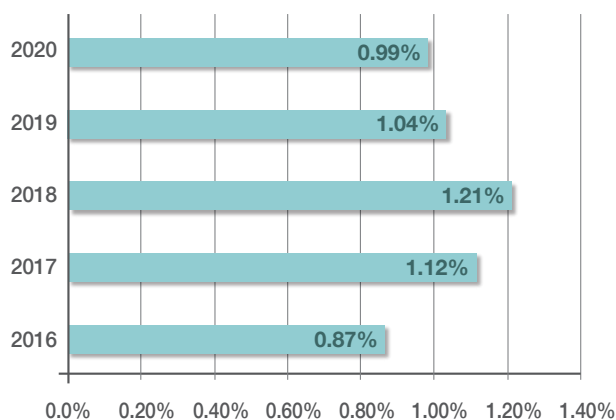
**Richard Hanz**  
Chief Financial Officer

## A Message from our Chief Financial Officer

# Strong Financial Performance

I'm pleased to report that Tech CU was able to weather the challenging conditions in 2020 and despite it all, was able to deliver strong financial results. **Key indicators of our resilience and financial strength include:**

- We achieved a 0.99% return on assets, just shy of realizing a fourth consecutive year with a return on assets greater than 1.00%. This was accomplished as assets grew 21.2%, and **we ended 2020 with assets nearing \$3.7 Billion.**
- **Net income for the year was a record \$36.4 million**, compared with the \$31.6 million in 2019 — an increase of \$4.8 million, or 15%.
- **Revenue improved \$9.3 million**, largely from growth and gains from the sale of solar loans.
- Notwithstanding the Federal Reserve significant lowering of rates in early 2020, our dividend rates remained some of the **highest in our local market.**



**RETURN ON ASSETS**



**EFFICIENCY RATIO<sup>1</sup>**

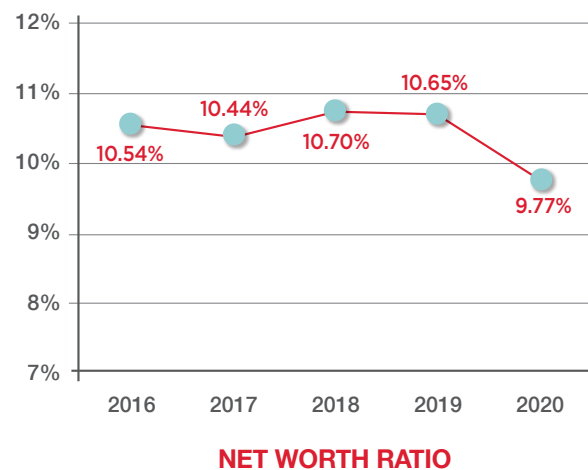
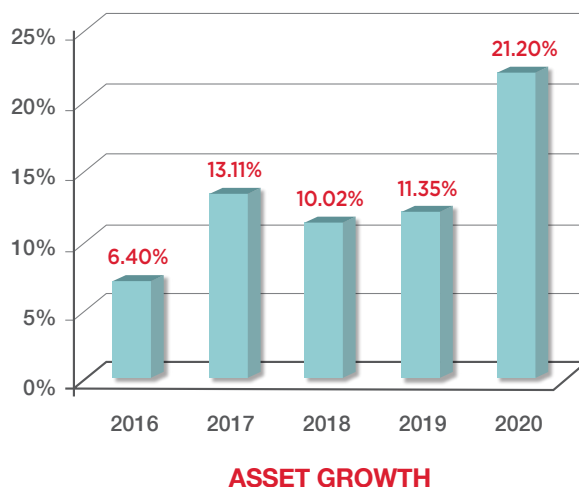
<sup>1</sup> The efficiency ratio divides a credit union's noninterest expenses by net revenue. The lower the efficiency ratio, the better. A low efficiency ratio means that noninterest expenses are a smaller percentage of net revenue.



## Financial Performance (cont'd)

- Provision expense for loan losses was higher at \$13.6 million compared to \$11.1 million in 2019 — a year-over-year increase of \$2.5 million. The additional provision expense resulted largely from setting aside additional reserves on loans to members adversely impacted by public health restrictions.
- Operating expense increased year-over-year by \$2 million, or 3.3%. Despite this, our efficiency ratio<sup>1</sup> improved to 55.5% from 58.5%.
- **Our credit quality measures continued to be very good.** Total reportable delinquent loans remained low at 0.27% — with a coverage ratio<sup>2</sup> of 371%. Standing at 1.01% of total loans, our allowance for loan loss remains at the high end of our peer group.

Credit quality and strong financial performance are two of the most important factors in establishing the level of a financial institution's safety and soundness. The **net worth ratio** is another measure used to assess **safety and soundness**, and is derived / impacted by two factors: the rate of asset growth; and the rate of net income growth. In 2020, the net worth ratio decreased due to remarkable asset growth of 21.20%. Fortunately, our strong income growth limited the decrease to 0.88% — ending the year at 9.77%; and exceeding The National Credit Union Administration's benchmark of 7%, the standard used to identify well capitalized credit unions, the highest rating the NCUA conveys.



<sup>2</sup> The coverage ratio measures the adequacy of a credit union's reserves to cover potential losses in its loan portfolio. The coverage ratio is calculated by dividing the allowance for loan and lease losses by the amount of delinquent loans.

## Statement of Operations

(In thousands; audited)

	2016	2017	2018	2019	2020
Interest on Loans	\$49,862	\$65,679	\$86,127	\$104,981	\$112,547
Interest on Investments	12,216	14,057	11,583	13,533	9,915
<b>Total Interest Income</b>	<b>62,078</b>	<b>79,736</b>	<b>97,710</b>	<b>118,514</b>	<b>122,462</b>
Dividends and Interest Expense	5,927	12,022	16,722	27,528	23,695
<b>Net Interest Income</b>	<b>56,151</b>	<b>67,714</b>	<b>80,988</b>	<b>90,986</b>	<b>98,767</b>
Provision for Loan Losses	44	1,862	5,688	11,088	13,604
<b>Net Interest Income After Provision for Loan Losses</b>	<b>56,107</b>	<b>65,852</b>	<b>75,300</b>	<b>79,898</b>	<b>85,163</b>
Non-Interest Income	10,825	12,587	11,797	12,154	13,653
Operating Expense and Non-Operating Expense	47,841	50,645	53,964	60,392	62,410
<b>Net Earnings</b>	<b>\$19,091</b>	<b>\$27,794</b>	<b>\$33,133</b>	<b>\$31,660</b>	<b>\$36,406</b>

## Statement of Financial Condition

(In thousands; audited)

	2016	2017	2018	2019	2020
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$92,151	\$205,660	\$149,906	\$183,633	\$305,393
Investments	474,137	380,238	362,510	470,103	634,573
Loans to Members (net)	1,581,645	1,848,301	2,166,239	2,334,850	2,690,045
Premises and Equipment	20,016	21,862	22,535	22,731	22,395
Other Assets	29,902	29,999	33,852	34,262	38,693
<b>Total Assets</b>	<b>\$2,197,851</b>	<b>\$2,486,060</b>	<b>\$2,735,042</b>	<b>\$3,045,579</b>	<b>\$3,691,099</b>
<b>LIABILITIES, MEMBER DEPOSITS, AND RESERVES:</b>					
Dividends Payable	\$84	\$102	\$456	\$885	\$338
Accrued Expenses and Other Liabilities	11,865	12,156	13,415	15,099	19,536
Notes Payable	0	100,000	100,000	0	5,000
Member Deposits	1,960,679	2,120,817	2,336,867	2,706,885	3,299,656
Total Equity	225,223	252,985	284,304	322,710	366,569
<b>Total Liabilities, Member Deposits, and Reserves</b>	<b>\$2,197,851</b>	<b>\$2,486,060</b>	<b>\$2,735,042</b>	<b>\$3,045,579</b>	<b>\$3,691,099</b>



# Giving Back

In 2020, the importance of helping our local community became even more apparent. In light of COVID-19, we reassessed our giving calendar and pushed forward donations typically given later in the year. We started by making donations to medical institutions and food security organizations. Additionally, we supported access to education and promoted housing efforts during this unprecedented crisis.

We're moved that our efforts have been acknowledged. In 2020, Tech CU was:



---

Commended for its community service and corporate social responsibility efforts for the 3rd year in a row by the **Communitas Awards\***



---

Recognized as one of the top philanthropic companies by the **Silicon Valley Business Journal** for the 6th year in a row



---

Named one of the top philanthropic companies by the **San Francisco Business Times** for the 4th year in a row





## Health & Wellness

Sponsored 250 free meals at local hospitals for health care workers through the **Feed the Frontline** campaign — keeping food workers employed while providing meals to our frontline workers.

**Supported Second Harvest of Silicon Valley** — helping to ensure families in our community didn't have to go hungry due to California wildfires or sheltering in place orders.

Donated 300 N95 masks and funds to the **Valley Medical Center Foundation**, responding to the critical need for personal protective equipment and other necessary hospital equipment.

Supported **Cancer CAREpoint**, an organization aimed at ensuring that no one faces cancer alone.



## Housing

Partnered with **Destination: Home** to fight homelessness and invested in its Homelessness Prevention fund aimed at keeping families housed.

Advocated for affordable housing by supporting **Housing Trust Silicon Valley** and funding affordable housing developments.



## Education

Supported the **COVID-19 Education Partnership** to help address the needs of local county offices of education and school districts during COVID-19.

Partnered with **Family Giving Tree** to donate school supplies including 94 backpacks and 113 holiday gifts to families in need.

Sponsored **San Jose State University's Networking Success from the Executive Suite** to help students learn more about starting their careers and building networks.

Supported first-generation college students by sponsoring **Breakthrough Silicon Valley's** Southern California college tour as well as the **"Are You Smarter Than a Breakthrough Student?"** trivia benefit event.

Supported the **African American Community Service Agency** with a monetary donation for their ongoing work focused on education.

### ADDITIONAL COMMUNITY PARTNERS

American Leadership Forum  
Bay Area Council  
Happy Hollow Foundation  
Morgan Autism Center  
San Jose Museum of Art  
San Jose Parks Foundation  
Silicon Valley Leadership Group  
Silicon Valley Reads  
SPUR  
SV@Home  
SV Creates  
The Tech Interactive  
West Valley Community Services



**Jeffrey M. Lee**  
Supervisory Committee Chair

## A Message from our Supervisory Committee Chair

# Financially Sound

Thank you for trusting Tech CU with your hard-earned savings. As your Supervisory Committee, we take that trust very seriously, and our primary goal is making sure you can rely on Tech CU's financial strength and security to protect your funds. One of the ways we do this is by confirming the accuracy and integrity of Tech CU's financial statements each year.

Based on our review of the independent auditor's report for 2020, as well as discussions with the independent auditor and management, it is the opinion of the Supervisory Committee that Tech CU operated in a sound financial manner and that the assets of the membership are safe.

Additional reports from our internal auditor and from the National Credit Union Administration are further evidence for this opinion.

Having a safe place to conduct your financial business is vitally important, and we remain committed to keeping Tech CU strong and financially healthy. **On behalf of your Supervisory Committee, it is an honor to serve you.**

### Supervisory Committee Members

**JEFFREY M. LEE**, Chair

**FAISAL JEDDY**, Vice Chair

**FIRASAT ALI**

**JESSICA CASSINELLI**

**BOB LUONG**



# Tech CU Leadership

## Executive Management Team

**TODD HARRIS**

President and CEO

**JEANNINE JACOBSEN**

Executive Vice President /  
Chief Operating Officer

**JOE ANZALONE**

Executive Vice President / Chief  
Commercial Banking Officer

**MIKE FLOYD**

Executive Vice President /  
Chief Credit Officer

**RICHARD HANZ**

Executive Vice President /  
Chief Financial Officer

**ROBERT REED**

Executive Vice President /  
Chief Retail Banking Officer

## Board of Directors

**MICAL ATZ BRENZEL**

Board Chair; Finance Committee

**ROBERT E. BYLIN**

Board Vice Chair; Compensation Committee;  
Finance Committee

**KIRK BLOEDE**

Compensation Committee; Nominating  
and Governance Committee

**KAREN BROCHIER**

Finance Committee Chair

**PETER DONAHOWER**

Finance Committee; Compensation Committee

**TODD HARRIS**

Treasurer and Secretary

**ROB HERB**

Compensation Committee; Nominating  
and Governance Committee

**DEEPTI JAGGI**

Compensation Committee

**BARBARA KAMM**

Nominating and Governance Committee Chair

**SUNIL NAGDEV**

Nominating and Governance Committee

**JOE SHEPELA**

Compensation Committee Chair



**PERSONAL BANKING** • SAVINGS ACCOUNTS • CONSUMER LOANS AND LINES OF CREDIT • MORTGAGE  
LOANS AND LINES OF CREDIT • FAMILY BANKING • HEALTH SAVINGS ACCOUNTS • IRAS • **BUSINESS**  
**BANKING** • CASH MANAGEMENT SERVICES • SBA LOANS • ASSET-BASED LENDING • **COMMERCIAL**  
**LENDING** • CONSTRUCTION LENDING • SOLAR COMMERCIAL LENDING • INVESTMENT PROPERTIES  
**FINANCIAL MANAGEMENT** • PRIVATE BANKING • RETIREMENT PLANNING • DIGITAL INVESTMENTS

Visit us at: [techcu.com](https://techcu.com)