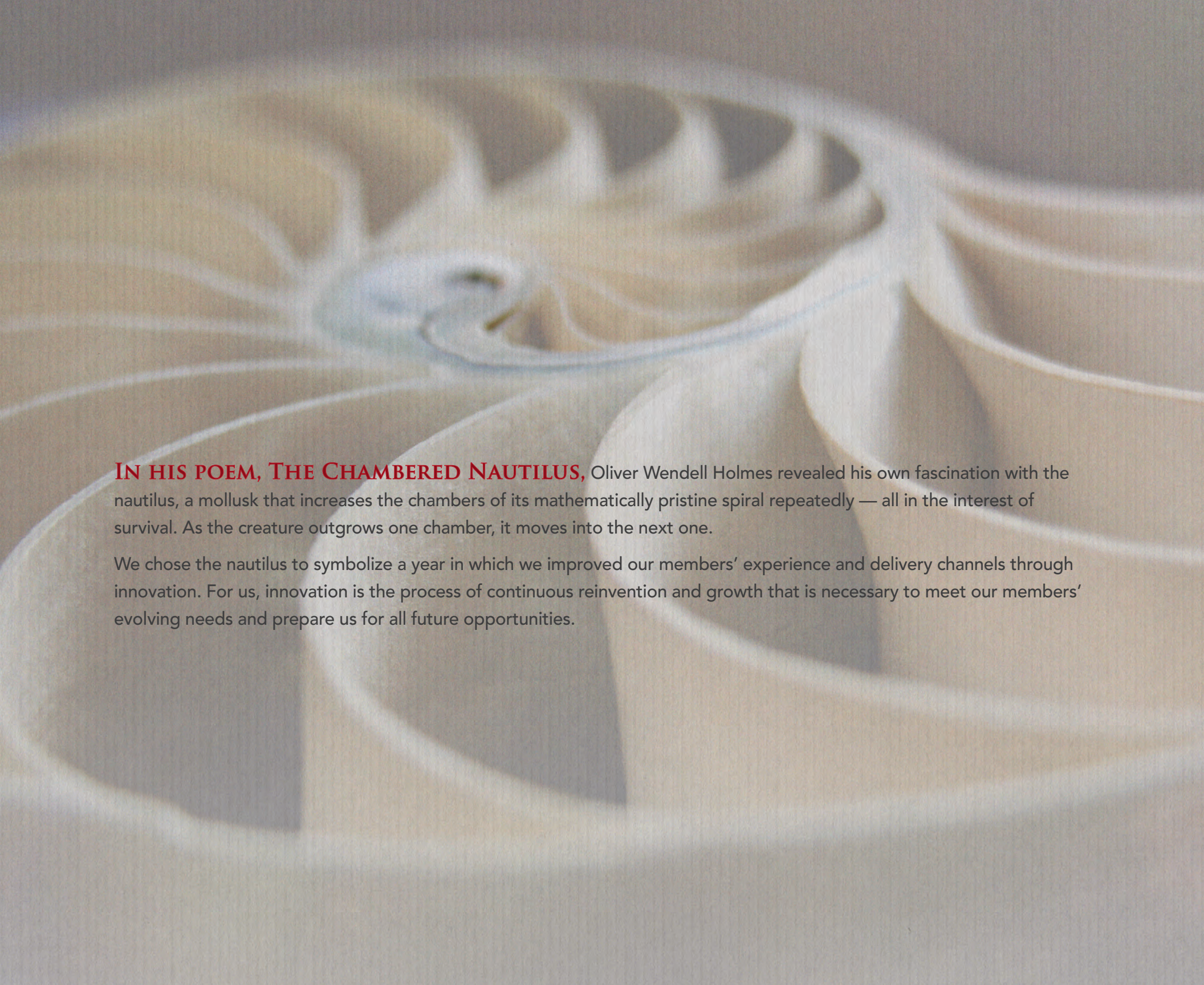


INNOVATION 2014 ANNUAL REPORT

techCU 



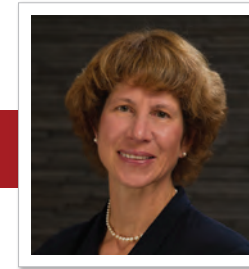


**IN HIS POEM, THE CHAMBERED NAUTILUS,** Oliver Wendell Holmes revealed his own fascination with the nautilus, a mollusk that increases the chambers of its mathematically pristine spiral repeatedly — all in the interest of survival. As the creature outgrows one chamber, it moves into the next one.

We chose the nautilus to symbolize a year in which we improved our members' experience and delivery channels through innovation. For us, innovation is the process of continuous reinvention and growth that is necessary to meet our members' evolving needs and prepare us for all future opportunities.



A MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS **MICAL ATZ BRENZEL**



**The Merriam-Webster dictionary defines innovation as “a new idea, device or method” or “the act or process of introducing new ideas, devices, or methods.”** Three of the examples cited in the dictionary for the use of innovation all have the word technology in the same sentence. Like bread and butter, innovation and technology go hand in hand. We are Technology Credit Union, serving the technology community in the heart of Silicon Valley. Are we innovative? Looking at the past year — indeed past years — the answer is certainly yes.

Tech CU must continuously innovate to meet the demands of our members, who are among the most tech savvy in the country. As a financial institution responsible for the stewardship of our members’ money and personal information, we must also be careful and deliberate in our implementation of new tools, systems, and processes. In 2014, we demonstrated the ability to do both.

This is perhaps best demonstrated in the implementation of our new, innovative online banking system, which went live in October of 2014. The new system was selected after months of deliberate study and analysis. Considerable time was spent methodically ensuring that customer data could be safely and securely transported from the old system to the new one. The launch of the new system itself was carefully orchestrated to minimize member disruption. Our careful project implementation process was a clear success: the new online banking system was put in place smoothly and is now functioning beautifully, with significant new functionality not found in the previous system. In retail banking, we have also been innovative in mobile technology. We created an early iPhone app for Tech CU, way back in 2007 — one of the first credit unions to do so. This has morphed into the comprehensive mobile banking system available to members today.

Tech CU has been innovative in other areas as well. We are one of the few credit unions with a significant commercial lending program. Our program runs the gamut from small business lending (SBA loans — Tech CU was the top producing credit union of 7(a) and 504 loans in California during SBA’s fiscal year ending September 30, 2014), to large construction project lending. We provide our business members with advanced cash management tools as well as attractive loan terms. We are also one of the few credit unions with a significant wealth management program — encompassing both private banking and investment management.

Our investment advisors have been ranked as top performers among all the institutions that use Cetera, our broker-dealer platform. Both our commercial lending and wealth management programs were built organically (“from scratch”) right here at Tech CU.

Our innovative use of technology to improve the member experience, coupled with prudent management practices and procedures, has enabled us to successfully grow our credit union for decades — and will continue to do so in the future. The Board of Directors oversees the strategic planning that underpins this process, ensuring that innovation at Tech CU benefits both members and the organization for the long-term.

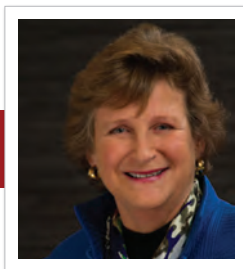
**MICAL ATZ BRENZEL**

CHAIRMAN, BOARD OF DIRECTORS



**INNOVATION IS THE SPECIFIC INSTRUMENT  
OF ENTREPRENEURSHIP...THE ACT THAT ENDOWS  
RESOURCES WITH A NEW CAPACITY TO CREATE.**

– PETER F. DRUCKER



## A MESSAGE FROM THE PRESIDENT AND CEO BARBARA KAMM

**Innovation means different things to different people. To me, innovation is about working hard every day to make our members' experience even better, more functional and more efficient.**

Our goal at Tech CU is to serve our members by being nimble and flexible — and by leveraging innovative technology to provide both outstanding self-service as well as highly personalized service. We are passionate about this.

An improving and strengthening economy is always a boon to our bottom line and to our ability to invest in new technologies. Housing prices and employment are on the rise and a positive outlook is projected for the coming year, especially here in Silicon Valley and the greater Bay Area. We are in the midst of a highly desirable, but also extremely competitive market — one in which we continue to differentiate ourselves by providing value to our members.

We took some bold steps in 2014 — including shaking up our own corporate culture — to ensure that we are all thinking in an inventive way. We instituted an “Innovation Initiative” to empower our employees company-wide and to increase capability, speed in decision making and overall efficiency.

With this as background, I'd like to summarize this past year and mention some exciting milestones:

- We surpassed \$1.8 billion in assets for the first time in our history. We also exceeded \$1 billion in loans for the first time since the first quarter of 2010.
- We introduced several new technologies aimed at improving our member experience. These included the launch of our **new online banking** system, allowing for easier budgeting and advanced search; **online appointment scheduling** with our in-house experts; the ability for members to hold with our

Call Center to **receive a call back** without losing their place in the queue; **answers available online 24/7** with our intelligent search platform; and the introduction of **Tech Car Shopper**, our free auto buying service.

- We have greatly increased the number of mortgages we process by making it faster and easier for our members to obtain loans from us. This includes offering a more user-friendly online loan application — streamlining the application and approval process. We are aware that we live in an area with an exceptionally high cost of housing and have tailored our guidelines to be more flexible while still offering safe and sound financing.
- We also began laying the groundwork for a new template in branch design which will be rolled out in 2015 in our new San Francisco office, as well as in our San Jose flagship branch and our Fremont and Sunnyvale locations. As the concept of a branch's role in our industry evolves, our goal is to stay relevant to those members who are becoming increasingly digitally savvy, while recognizing their ever-present need for knowledgeable and personalized service. We believe our branches will become a place of relationship-building while offering convenient access to our products and services.

2015 promises to be a year of great growth and opportunity for Tech CU. I know you have many choices when it comes to your financial institution, and we greatly appreciate your membership. We look forward to continuing to serve you in the years ahead and helping you with all of your financial needs.

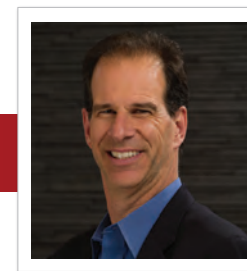
BARBARA B. KAMM  
PRESIDENT/CEO



INNOVATION DISTINGUISHES  
BETWEEN A LEADER AND A FOLLOWER.

—STEVE JOBS

A MESSAGE FROM THE CHIEF BANKING OFFICER **JOE ANZALONE**



**As we are headquartered in the heart of Silicon Valley, the world's innovation capital, we at Tech CU view opportunities and challenges through the lens of this fast-paced environment.**

We know that life never stands still, and we embrace the innovative ways that people choose to live and work here. We also strive to keep pace with the innovative payment and delivery systems that the entrepreneurial financial technology companies in our backyard are developing to ensure that we remain relevant to our members.

Tech CU continued to deliver new products and services in 2014 — focusing especially on providing even more of the convenience and flexibility that are key to our members' experience. Our Retail Banking, Wealth Management and Commercial Banking Divisions all worked together with the one, overarching goal of offering members exceptional financial services.

Our Wealth Management Division created more choice and convenience by offering our members three ways of working with us. We can manage a portfolio in full, offer professional brokerage advice and recommendations, or provide a trading platform for members to select and manage their own investments. We also expanded our educational workshops to include key topics ranging from accumulating assets to preserving one's legacy.

These strategic initiatives produced impressive results for the year in Wealth Management, including growing our total member assets under management to \$565 million and originating \$93 million in private banking loans — both numbers represent an all-time high for this Division. Additionally, we are pleased to report that three of our financial advisors achieved President's Club status, the highest award bestowed by Cetera, our broker-dealer.

In our Retail Banking Division, we embarked on a transformation of some branch locations to reflect our members' changing needs — with a more open floor plan coming in the next year designed to

facilitate everything from consultative discussions to quick exchanges. Our members are also now able to schedule an appointment online to meet with a Mortgage Consultant or Relationship Banker at the location of their choice.

With the strengthening Bay Area economy and housing market, we funded more than \$30 million in auto loans, which includes those from our preferred financing relationship with Tesla, and nearly \$180 million in mortgages. We also expanded our correspondent lending and wholesale mortgage programs.

Finally, I'm pleased to report that our careful expansion into commercial lending continues to deliver great benefits to our members seeking commercial loans. We continue to provide financing for construction and development projects in the Bay Area to experienced builders and developers, term financing for commercial real estate and multi-family properties, and SBA financing.

Furthermore, we received the distinction from the Small Business Administration of being the top producing credit union in California for their fiscal 2014. We expect to add commercial equipment and receivables lending to this product set in 2015, furthering our identity as a well-diversified commercial lender in our market.

I want to thank our loyal members for allowing us the daily privilege of being able to serve you, your families, and your businesses, and for making 2014 such a successful year for Tech CU.

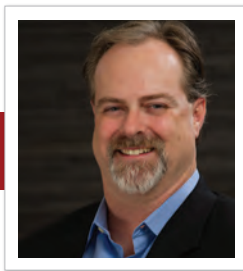
**JOE ANZALONE**

EVP, CHIEF BANKING OFFICER



**INNOVATION IS THE CALLING CARD  
OF THE FUTURE.**

—ANNA ESHOO



## A MESSAGE FROM THE CHIEF FINANCIAL/ADMINISTRATIVE OFFICER **TODD HARRIS**

**Building on the success established in the prior year, 2014 brought about innovative changes to our loan products and sales channels — resulting in our ability to exceed \$1 billion in loans and attain record total assets of \$1.829 billion.**

We also experienced a \$1.4 million reduction in operating expense compared to 2013 and an ROA of .80%. Additional highlights include an improved efficiency ratio, excellent credit quality and \$513 million in total loans funded.

Net income for the year was \$14.6 million compared to \$16.8 million in 2013. However, 2013 included a \$5.1 million credit to provision expense, whereas 2014 included a smaller \$1.5 million credit to provision expense. If we were to exclude the effect of the provision credits from each year, net income actually increased \$1.4 million year-over-year.

As was the case in 2013, 2014 credit quality was excellent. Year-over-year, delinquent loans decreased from 1.24% to .54% of loans, and we experienced a low net charge-off rate of only .19% of total loans. The combination of improved total delinquency and a low net loss experience created an environment where loss reserves could be safely reduced for the second year in a row.

We made both “ease of doing business with” and innovation a key focus in 2014. In addition to our new online banking system and touch pad enhancements to our mobile banking app, we also simplified our loan product set. This includes making our auto pricing tiers clearer with fewer and smaller add-ons to the base rate; reducing and/or eliminating a number of fees related to our mortgage loans; and, where many lenders will not provide Home Equity Lines of Credit (HELOC) in excess of \$250,000, our HELOCs can reach \$1 million for well-qualified borrowers. As a result of these changes, we funded \$513 million in loans to our members, a 7% increase over last year. In addition, our operating efficiency improved for the third year in a row, as evidenced by a \$1.4 million reduction in operating expense.

As 2014 progressed, our ability to generate revenue was negatively impacted. The gap between the average rate we receive from loans, and the average rate we pay on deposits, narrowed further; this phenomenon is referred to as net interest margin compression and is the result of both the low interest rate environment and our desire to provide our members with the best possible rates on loans and deposits. However, despite a net interest margin compression of .05% year-over-year, net interest income increased about \$500,000. This was due to increased member engagement as measured by increased loan balances, in part driven by our aforementioned simplified loan product offerings.

The low interest rate environment is expected to remain challenging in 2015, however, our simplified pricing is expected to remain appealing, and will help counter net interest margin compression. Our focus on innovation will continue. Tech CU members can look forward to a more intuitive online loan application interface, which is currently under development and expected to be deployed in 2015. We will continue to seek expense savings when possible, invest in leading-edge technology to improve the ease with which members can do business with us, and are committed to remaining a safe and sound credit union as demonstrated by our excellent credit quality and our achievement of a record \$196 million in regulatory capital at year end.

**TODD HARRIS**

EVP, CHIEF FINANCIAL/ADMINISTRATIVE OFFICER



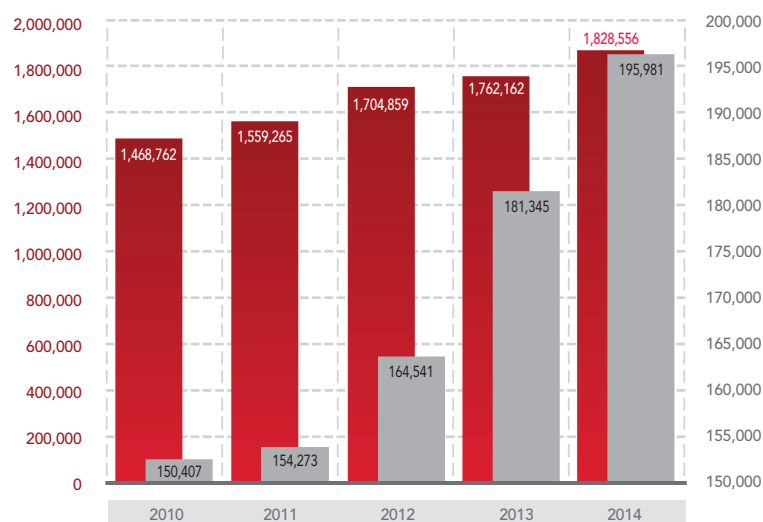
**CREATIVITY IS THINKING UP NEW THINGS.  
INNOVATION IS DOING NEW THINGS.**

—THEODORE LEVITT

## Asset and Capital Growth

(IN THOUSANDS)

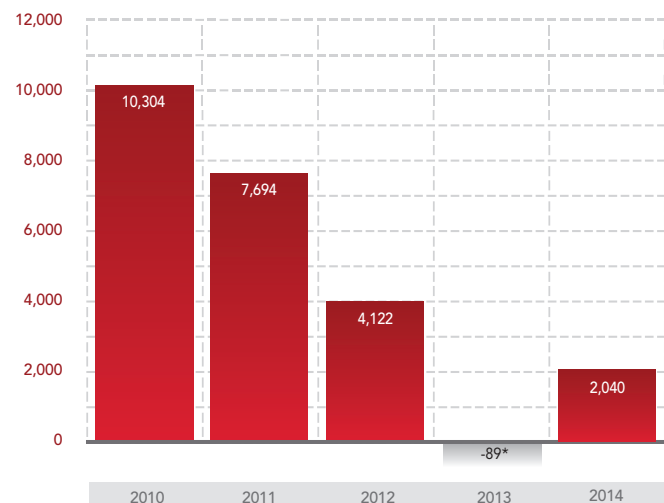
■ Total Assets  
■ Regulatory Capital



## Net Charge-Offs

(IN THOUSANDS)

■ Net Charge-Offs  
■ Net Recoveries



\*Recoveries exceeded charge-offs in 2013.

## Statement of Operations (audited)

(IN THOUSANDS)

YEAR ENDED

Statement of Operations	2010	2011	2012	2013	2014
Interest on Loans	\$48,055	\$43,090	\$39,039	\$37,157	\$36,747
Interest on Investments	3,205	8,650	9,230	8,893	9,835
Total Interest Income	51,260	51,740	48,269	46,050	46,582
Dividends and Interest Expense	7,696	5,388	4,036	3,409	3,403
Net Interest Income	43,564	46,352	44,233	42,641	43,179
Provision for Loan Losses	10,003	6,879	2,411	-5,136	-1,528
Net Interest Income After Provision For Loan Losses	33,561	39,473	41,822	47,777	44,707
Non-interest Income	11,133	9,828	13,638	11,587	11,003
Operating Expense and Non-Operating Expense	42,184	45,435	45,191	42,560	41,074
Net Earnings	\$2,510	\$3,866	\$10,269	\$16,804	\$14,636

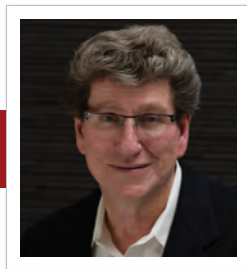
## Statement of Financial Condition (audited)

(IN THOUSANDS)

YEAR ENDED

Statement of Financial Condition	2010	2011	2012	2013	2014
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$205,840	\$163,742	\$170,368	\$164,723	\$119,210
Investments	288,263	465,052	582,307	647,512	616,260
Loans to Members, Net	926,349	884,800	908,618	908,379	1,050,038
Premises and Equipment	22,006	21,372	19,602	18,304	16,980
Other Assets	26,304	24,299	23,964	23,514	26,068
<b>Total Assets</b>	<b>\$1,468,762</b>	<b>\$1,559,265</b>	<b>\$1,704,859</b>	<b>\$1,762,162</b>	<b>\$1,828,556</b>
<b>LIABILITIES, MEMBER DEPOSITS, AND RESERVES:</b>					
Dividends Payable	\$208	\$140	\$106	\$65	\$63
Accrued Expenses and Other Liabilities	\$7,744	6,936	8,170	8,585	11,162
Notes Payable	0	0	0	0	0
Member Deposits	1,314,444	1,391,496	1,525,683	1,575,375	1,621,112
Total Equity	146,366	160,693	170,900	178,137	196,219
<b>Total Liabilities, Member Deposits, and Reserves</b>	<b>\$1,468,762</b>	<b>\$1,559,265</b>	<b>\$1,704,859</b>	<b>\$1,762,162</b>	<b>\$1,828,556</b>





## A MESSAGE FROM THE CHAIRMAN OF THE SUPERVISORY COMMITTEE TOM HALL

**Technology Credit Union's Supervisory Committee is made up of five volunteer members who are not directors, officers or employees of Technology Credit Union.** 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 2014, discussed them with management, and spoke with the credit union's independent auditors, Crowe Horwath LLP, 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, 2014.

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, 2014, 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.

**TOM L. HALL**

CHAIRMAN, SUPERVISORY COMMITTEE

### SUPERVISORY COMMITTEE



(From L to R): Tom Hall, Chairman; Jeffrey M. Lee, Karen Rogge, Bob Luong, Vice Chairman. (Steven Fisher, Secretary, missing)



## COMMUNITY RELATIONS

Tech CU remained deeply committed to giving back to Silicon Valley and our surrounding communities — and we found new and innovative ways to both participate and raise funds. Our strategic areas of focus were defined in 2014 as STEM education (science, technology, engineering and math), financial literacy, affordable housing and health and wellness. We supported local organizations and nonprofits that provided resources and programs in these areas through community grants, employee giving and volunteer time. We give back because we know it's the right thing to do — it's who we are.

### JUST A FEW OF OUR NOTABLE ACTIVITIES THIS PAST YEAR INCLUDE:

#### Encouraging STEM Education Through Applied Learning

To further our goal of creating positive learning environments, Tech CU has partnered with The Tech Museum's Tech Challenge — helping students apply STEM learning to solve real world problems, and RAFT, which supplies much needed resources to teachers.

#### Participating in the Community

This past year, our employees and members raised over \$21,000 by participating in the Leukemia and Lymphoma Society's Light the Night campaign. We also mobilized our largest team to date at the Silicon Valley Turkey Trot, which raised over \$930,000 for the Healthier Kids Foundation Santa Clara County, Housing Trust Silicon Valley, Second Harvest Food Bank of Santa Clara and

San Mateo Counties, Second Harvest Food Bank of Santa Cruz County and the Health Trust. In addition, we are proud supporters of State Superintendent of Public Instruction Tom Torlakson's Team California for Healthy Kids, which offers salad bars to promote healthy eating in local schools.

#### Holiday Wishes Fulfilled

Our employees and members worked with the Family Giving Tree to fulfill over 250 holiday wishes from local children. In addition to donating gifts, our employees gave their time by working in the warehouse, wrapping and organizing toys. During December, we also made a monetary donation to the Family Giving Tree for every new account opened — resulting in a contribution of more than \$14,000.

Through our Community Relations program, Tech CU has invested over \$1 million in the local community since 2007.

#### Additional organizations we supported in 2014 included:

- Breakthrough Silicon Valley
- Full Circle Fund
- Glide Family Supportive Services
- GLOW Financial Education and College Prep Program
- San Jose Museum of Art's Sowing Creativity Program
- SJSU's Center for Banking and Financial Services
- Happy Hollow's Science program
- Silicon Valley Reads
- Housing Trust of Silicon Valley
- CreaTV San Jose

## BOARD OF DIRECTORS



(From L to R): Joe Shepela; Robert E. Bylin; John "Jack" Wedgwood; Karen Brochier; Barbara Kamm, CEO & Treasurer/Secretary; Kirk Bloede; Mical Atz Brenzel, Chairman; Rob Herb; Peter Donahower, Vice Chairman.



## MANAGING COMMITTEE



(From L to R): Debra Bowman, SVP, Retail Banking; Jeannie Sugaoka, SVP, Support Services; Kate Duggan, SVP, Marketing; Al Cadman, EVP, Chief Credit Officer; Jeannine Jacobsen, SVP, Human Relations/Enterprise Risk Management; Todd Harris, EVP, Chief Financial/Administrative Officer; Angie Hernandez, SVP, Credit Administration; Joe Anzalone, EVP, Chief Banking Officer; Barbara Kamm, President/CEO; Rebecca Nelson, SVP, Wealth Management.



[techcu.com](http://techcu.com)

