



# Here for You

2022 ANNUAL REPORT

# Challenging times call for a strong and dependable financial partner. Tech CU, your credit union, is here for you.

Since our founding over 60 years ago to serve employees of legendary Fairchild Semiconductor, we've focused on our members and being here for you with the products and services you need. We constantly seek to exceed your expectations through our superior rates, superior capitalization, superior performance, and unparalleled service.

2022 was a year of changes and pivots, yet we **remained steady** as we addressed the challenges in the economy, including inflation and rising interest rates. We proactively managed our Net Worth Ratio, growing it to 11%, substantially above the highest industry classification of "Well-Capitalized," which is 7%.

We continued to pursue the **uniquely diversified business model** that we developed over the years to serve your evolving needs. Our innovative Virtual Branch has become a key channel, making our products and services even more accessible to you - from the comfort of anywhere.

And, we offered our members low or no fees while delivering exceptional deposit rates. As a not-for-profit, we do not have the same pressure to hit earnings targets like banks. We are able to **re-invest in you** and make long-term decisions that are in the best interest of our membership and the

credit union. This allows us to create a more stable and dependable financial partner for you, regardless of macro-economic conditions. Our superior deposit products reflect this approach, particularly the highly competitive CD rates we introduced last year and continue to offer you today.

Embedded in the Bay Area and its myriad communities for six decades, our commitment to you extends beyond the financial. We're proud to have been recognized by the *San Francisco Business Times* as a **Top 100 Bay Area Corporate Philanthropist** for the 6<sup>th</sup> year in a row. Together with many local organizations including Breakthrough Silicon Valley, Second Harvest, Silicon Valley Housing Trust, and our most recent partners, the San Jose Sharks and San Jose Barracuda, we stay **active in the communities we serve**, supporting quality of life and ensuring Tech CU is top-of-mind with current and potential members.

Through our exceptional staff, the breadth of products and services we offer, our commitment to community, and our financial strength,

**Tech CU is here for you!**



**Our top attributes align with member priorities\***

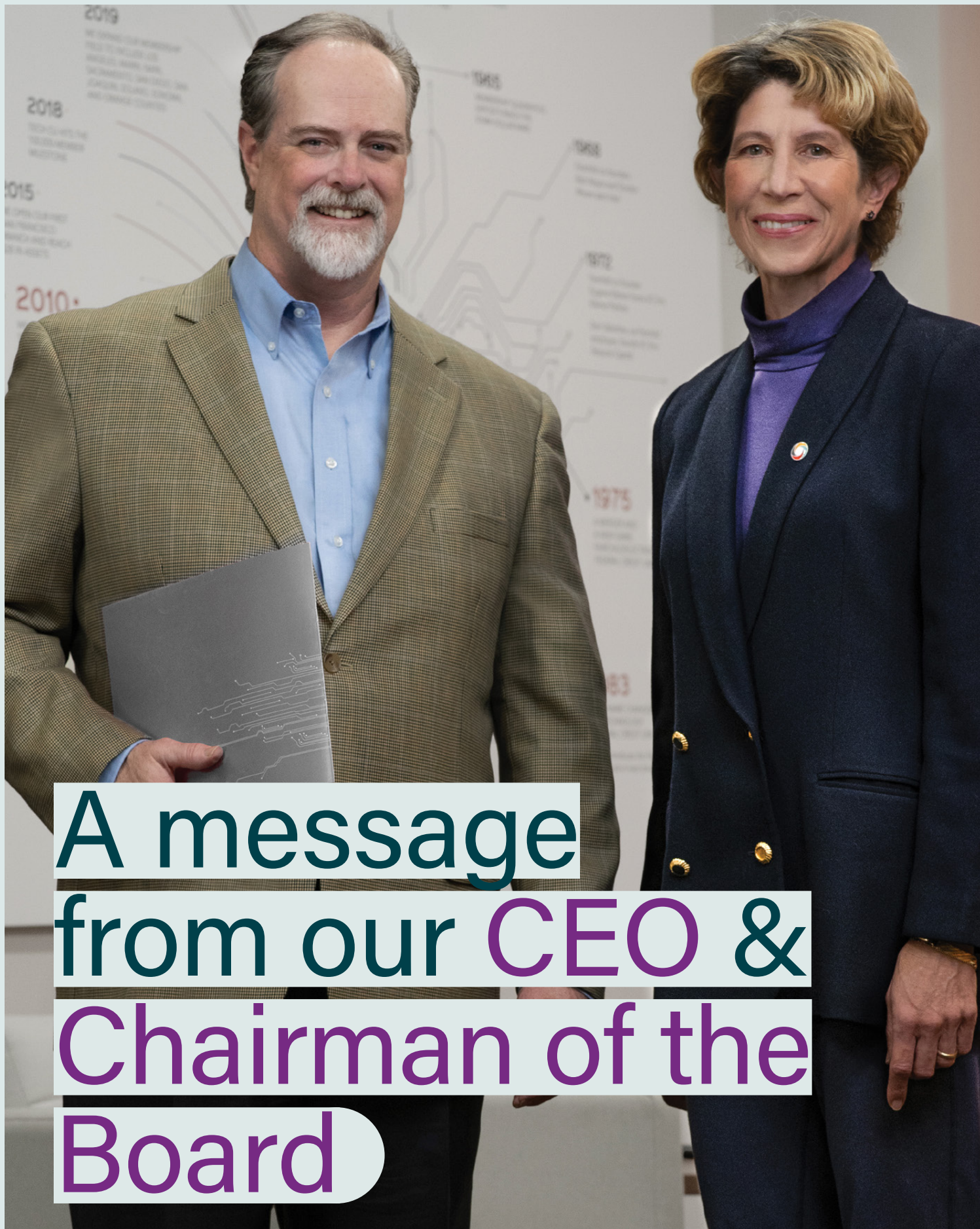
- Competent staff
- Secure and easy
- No hidden fees
- Trustworthy reputation
- Accountable











# A message from our CEO & Chairman of the Board

Todd Harris  
**President and CEO**

Mical Atz Brenzel  
**Chairman of the Board**

## Thank you for another great year!

In 2022, Tech CU set another membership record, **grew assets to over \$4.5 billion**, and reached several other historic milestones. We finished the implementation of our **brand refresh**, aligning our family of brands and imagery to reflect the member-focused organization that we are—one with strong market recognition, and a broad range of product and service offerings that rival any national bank.

We launched a partnership with **Sharks Sports & Entertainment** aimed at raising our visibility and enhancing our **community involvement** through programs such as Cuda Classroom, which teaches elementary and middle school students financial literacy through science and hockey; and Goals for Kids, which provides a donation to a local charitable organization for each goal scored.

We also expanded our digital footprint outside of California for the first time and now have a **Virtual Branch dedicated to the Idaho market**. In addition, the use of our Virtual Branch across all markets continues to grow—over 1,750 **Virtual Branch appointments** were booked in 2022, **up 191%** from 2021.

As we are writing this, it is clear that there will be bumpy economic times ahead. While we know we are not immune to challenges, we would like to take a moment to celebrate some of our other key accomplishments.

### 2022 Achievements

- Originated more than **\$553 million in new home loans** and **financed over \$896 million in new solar loans**, helping 22,998 members either buy a new solar loans, refinance their mortgage, or enjoy the power of green energy.
- Originated commercial real estate, construction, Small Business Administration, and commercial and industrial loans totaling approximately **\$70 million**.
- Continued to see a growing number of members using our **Tech Investment Management** services.
- In the face of a sharp rise in inflation and significant interest rate increases by the Federal Reserve, we **increased deposit rates** faster than any other credit union in our market.
- **Eliminated many deposit-related fees**. Our list of fees is among the shortest and lowest in the market.
- Began a workflow initiative to automate many repetitive tasks—reducing processing costs, enhancing efficiency and responsiveness, and laying the foundation for the next phase of our digital banking offerings.
- Received over 375 five-star Yelp reviews, propelling us to over **1,825 five-star reviews** to date.

### Thank You!

"Our Tech CU branch has always been a great help answering my inquiries so efficiently. They make me, my husband, and my parents feel so taken care of with the continuous **"WOW"** service with our accounts in Tech CU. They really give the **WOW** experience with their amazing communication skills, knowledge, patience, and kindness. I am so thankful for them."

- MC. V., Yelp review



Todd Harris  
President and CEO



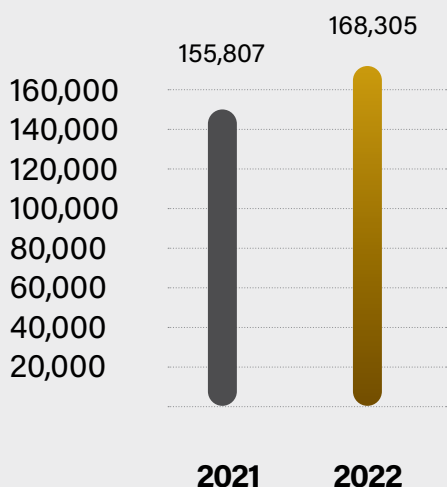
Mical Atz Brenzel  
Chairman of the Board

None of our achievements would have been possible without the commitment, creativity, and dedication to high standards of our entire staff, management, Board of Directors, and Supervisory Committee.

Their focus on excellence has truly made us shine amongst our peers.

It also would not have been possible without you, our members. We know you have many choices when selecting a trusted financial service provider. We appreciate your continued loyalty and want to assure you we are 100% committed to being here for you and empowering your financial success.

### Membership Growth



168K  
members and growing





More than 1,825  
Five-Star Yelp  
Reviews

# Empowering Your Financial Success



Todd Harris  
President and CEO



Mical Atz Brenzel  
Chairman of the Board

With the pending economic challenges, we are proactively taking steps to keep our organization strong by improving efficiencies, reducing expenses, and **keeping a laser focus on what matters most—WOWing you.**

We will continue to improve our front-end and back-end technology to drive a more intuitive digital experience. We will strengthen and grow our **FinTech initiatives**—expanding upon our unique business model (retail, wholesale, commercial, and financial management), which allows us to absorb increased interest expenses and losses and **keep deposit interest rates higher and fees lower** than our peer group.

We are taking steps to open a **Virtual Branch** in Austin, Texas, with consideration for future expansions in additional technology-centric markets where many members may move. **Our goal is to be where you are.**

With the expectation that 2023 will be an economically challenging year, we are ready and **well-positioned to support you**, and we look forward to being **here for you** in the years ahead as **your strong financial partner**—one committed to giving back to you and the community.



**"I make a lot of business decisions each and every day. Your expert support and guidance have instilled a strong confidence that partnering with Tech CU is the right decision now and in the future."**

- Daniel Pinna, Creator & CEO, Ancient Faces, Inc.





# What's Next



**209%**  
increase in auto  
loan originations



A professional woman with long, light brown hair and blue eyes is smiling warmly at the camera. She is wearing a grey blazer over a white top and has her hand resting on her chin. She is sitting at a desk with a laptop in front of her. The background is a blurred office setting with large windows.

# Highlights



National presence, with  
membership across  
48 states

Ranked among the TOP  
5 best-performing credit  
unions in CA for 5 years,  
with 3 of those years in the  
#1 spot<sup>1</sup>

Ranked among the TOP  
30 best-performing credit  
unions in the U.S. for 5  
years<sup>1</sup>

Ranked one of the  
100 LARGEST credit unions  
in the U.S.<sup>2</sup>

Originated  
**\$70 million**  
business loans

## CORE VALUES

### ACCELERATE

We view challenges as  
opportunities

### COLLABORATE

We communicate and  
work together

### INNOVATE

We foster creative  
thinking

### CULTIVATE

We recognize potential

**\$17.2 billion**  
in deposit transactions



168  
THOUSAND  
MEMBERS

Originated

**\$553M**

home loans

Assisted

**22,998**

members with home loans

Financed

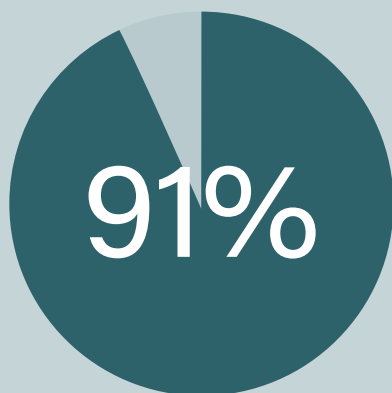


**\$896 million**  
in solar loans

# \$4.5 billion in Assets



Answered



of all calls to our Member Contact Center  
within 1 minute and 38 seconds

Mission

**WOW**  
members  
and empower  
their financial  
success

Conducted more than



**1,750**

Virtual Branch appointments,  
up 191% from 2021

<sup>1</sup> S&P Global Market Intelligence

<sup>2</sup> <https://www.creditunionsonline.com/largest100creditunions.html>

# We are committed to helping our local communities thrive,

which is why we work together with our community partners to make a difference. In 2022, we launched an exciting partnership with Sharks Sports & Entertainment. If you're a hockey fan, you may have already attended a game at the Tech CU Arena. As part of that partnership, we are proud supporters of CUDA Classroom and the Sharks Foundation, as a presenting sponsor for Goals for Kids.

In addition to the Sharks Foundation, there were many other great programs with causes related to our core tenets of Technology Access, STEAM Education, Financial Empowerment, and Health & Wellness we supported in 2022.

## Technology Access

- Provided a donation to **Peninsula Volunteers, Inc.** (PVI) to cover an instructor who provides iPad and internet safety training as well as the purchase of routers, modems, and iPads.
- Provided **Habitat for Humanity** conference room technology to support virtual meetings for local remote employees.
- Sponsored **The Tech Interactive's** Academies of Innovation, which provides educators with professional development and cross curricular expertise in integrating hands on design challenges and computational thinking into their school's curriculum.
- Funded the purchase of modems and routers for **Recovery Café San Jose's** Learning Lab, in addition to funding an instructor to provide curriculum for computer literacy so members can be best prepared while searching for future employment.
- Supported **TECHquity Fund**, at **Destination: Home** by providing technology access throughout the homelessness services sector to both individuals and non profits.

- Worked with the **Idaho Technology Council** on its Capital Connect program to ensure startups in the community have access to capital to upscale their business and grow the local economy.

- Donated funds so **Cancer CAREpoint** could rebuild its website and more easily receive donations.

## STEAM

- Supported children and adults in the Bay Area with autism or other developmental disabilities by sponsoring **Morgan Autism Center's** Starry Starry Night event.
- Donated \$12,000 to the **San Jose State University Center for Banking and Financial Services** to support scholarships and its Net working Success from the Executive Suite event. Tech CU employees taught workshops on topics such as preparing for in person and virtual interviews and understanding the real estate climate.
- Supported first generation college students by sponsoring **Breakthrough Silicon Valley's** "Are You Smarter Than a Breakthrough Student?"
- Partnered with the **YWCA Golden Gate Silicon Valley** to provide STEAM Education tools, such as science kits, books, games, and supplies for hands on learning modules.

## Financial Empowerment

- **Became a presenting sponsor of Goals for Kids**, in partnership with the **Sharks Foundation**. For every goal scored during the 2022-23 season, a \$1,000 donation was added to a running total (\$234,000) which will then be evenly distributed amongst the program's 7 Bay Area nonprofits in April.

- Supported **Cuda Classroom**, a program aimed at teaching elementary and middle school students financial literacy through science and hockey.

- Educated consumers and advocated for affordable housing by donating funds to **SV@Home**, which allowed them to host dozens of educational virtual workshops, webinars, and community engagement opportunities to bring awareness to Silicon Valley's housing challenges.

## Health & Wellness

- Partnered with **Second Harvest of Silicon Valley** to help provide over 100,000 healthy meals to families in our community.
- Partnered with **Family Giving Tree** to donate over 100 backpacks filled with school supplies to help level the educational playing field for Bay Area families.
- Helped **West Valley Community Services (WVCS)** fight poverty by sponsoring its Chefs of Compassion event. We also provided digital tablets, keyboards, and chargers to support the Client Benefit Application Team.

Tech CU is proud to offer Volunteer Time Off to all our full time employees — allowing them paid time to volunteer with our community partners. Upon completion of 8 hours of service, Tech CU donates \$100 on the employee's behalf to a charity of their choice once a year. We have numerous employees on committees and nonprofit boards throughout California. **We look forward to continuing to invest in our community and working collaboratively with our partners in the years to come.**

## Community Partnership Partners

- Bay Area Council
- Downtown Streets Team
- Happy Hollow Foundation
- San Jose Museum of Art
- SPUR
- SV Creates
- SVLG Foundation
- Valley Medical Center Foundation



Commended for community service and corporate social responsibility efforts for the 5th year in a row by the Communitas Awards





Recognized as one of the top philanthropic companies in Silicon Valley by the Silicon Valley Business Journal for the 8th year in a row

Named one of the top philanthropic companies by the San Francisco Business Times for the 6th year in a row

# Here for the Community





A message  
from our Chief  
Financial Officer



Richard Hanz  
Chief Financial Officer

We know that for many, 2022 marked a year of uncertainty, however, rest assured, you can count on Tech CU's financial strength and stability as a reliable financial partner. We remain well-positioned to manage through the economic challenges ahead while continuing to support our community and give back to our members through competitive rates and low (or no) fees.

Key measures of financial strength for 2022:

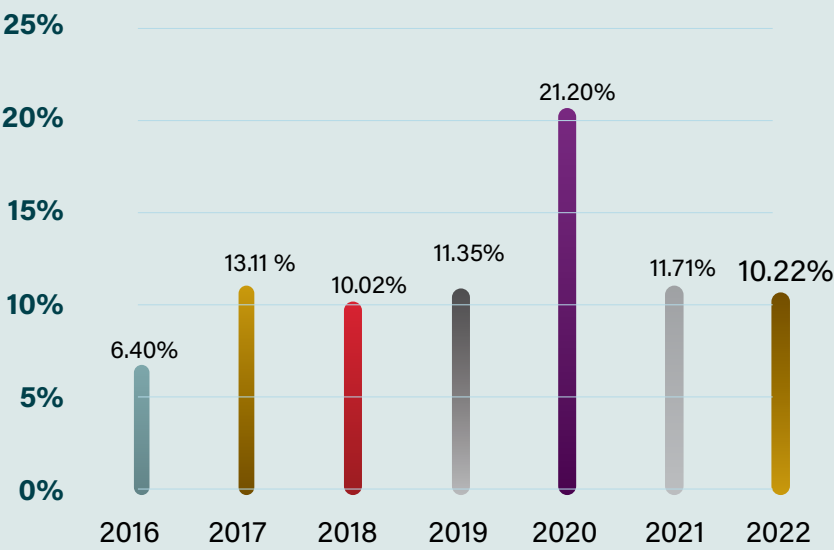
- Assets grew 10.2%, and **we ended 2022 with assets just over \$4.5 Billion.**
- Net income for the year was the second best in Tech CU's history at \$58.7 million.**
- We achieved a 1.29% return on assets, exceeding local and national averages.

- Gross revenue increased year-over-year \$23.0 million, or 13.3%.
- The sudden shift in interest rates in 2022 after a prolonged low-rate environment, increased interest expense year-over-year \$20.3 million, or 122%. Members benefited, as Tech CU was able to deliver some of the **highest deposit rates in our local market.**
- Provision expense for loan losses was higher at \$17.5 million compared to \$4.0 million in 2021 — a year-over-year increase of \$13.5 million. Provision in 2021 was lower in part due to the release of reserves set aside in 2020 on loans to members adversely impacted by public health restrictions. In 2022, normal levels of loan losses resumed. This, coupled with the additional reserves required on \$699 million growth in loans, drove the increased provision expense.



Strong Net Income  
2nd Best in Tech CU History

Asset Growth



Statement of Operations  
(in thousands)

	2021	2022
Interest on Loans	\$132,923	\$151,319
Interest on Investments	9,580	18,341
<b>Total Interest Income</b>	<b>142,503</b>	<b>169,660</b>
Dividends and Interest Expense	16,674	36,984
<b>Net Interest Income</b>	<b>125,829</b>	<b>132,676</b>
Provision for Loan Losses	3,965	17,483
<b>Net Interest Income After Provision for Loan Losses</b>	<b>121,864</b>	<b>115,193</b>
Non-interest Income	29,143	24,873
Operating Expense and Non-Operating Expense	72,223	81,355
<b>Net Earnings</b>	<b>\$78,784</b>	<b>\$58,711</b>



Richard Hanz  
Chief Financial Officer

- Operating expense increased year-over-year by \$9.1 million, or 12.6%. The faster operating expense growth relative to revenue saw our efficiency ratio<sup>1</sup> increased to 51.6% from 46.6%.

## Our credit quality measures continued to be very good.

Total reportable delinquent loans remained modest at 0.59% — with a coverage ratio<sup>2</sup> of 157%. Standing at 0.93% of total loans, our conservative allowance for loan loss remains at the high end of our peer group.

While financial performance and credit quality 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 key measure used to evaluate strength**. It is derived and impacted by two factors: the rate of asset growth; and the rate of capital growth. In 2022, the net worth ratio was stable due to strong net income, even as asset growth was also strong.

The net worth ratio ended the year at 11%, exceeding The National Credit Union Administration's (NCUA) benchmark of 7%,

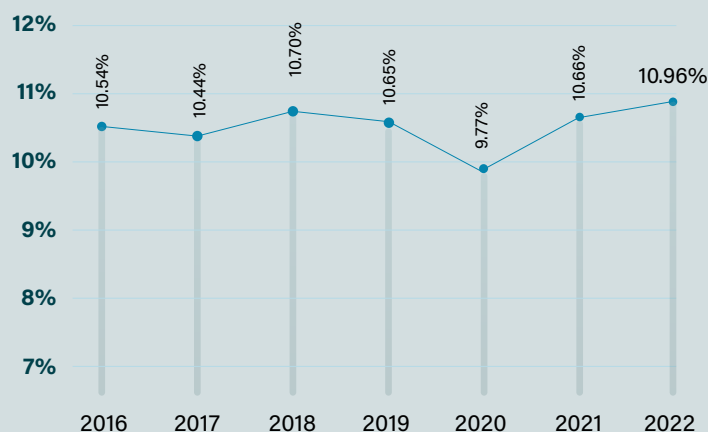
the standard used to identify well-capitalized credit unions, the highest rating the NCUA conveys.

Despite the challenging 2022 market environment, the above measures are a testament to our **proven track record as a stable and resilient financial institution** even in the face of a multitude of macro-challenges.

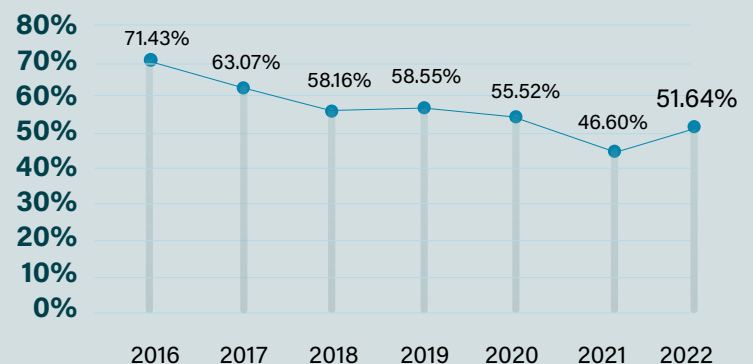
**11%** Net Worth Ratio exceeded NCUA's benchmark of 7%.

**18** Efficiency Ratio 18 points better than industry average among \$4 billion credit unions.

## Net Worth Ratio



## Efficiency Ratio<sup>1</sup>





You can depend on Tech CU to help you with your financial goals in 2023 and to be the financial partner you can always rely on regardless of market uncertainties.

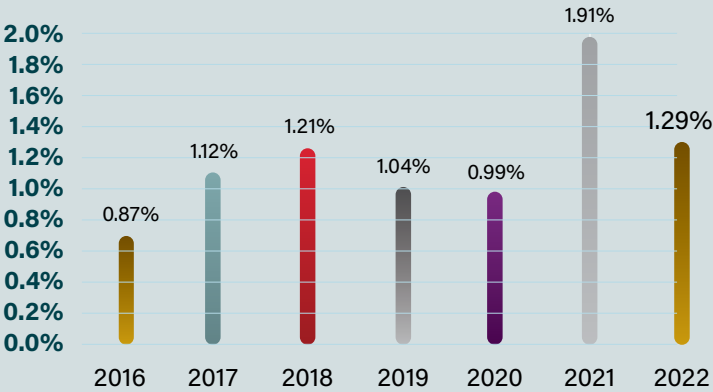
1 The efficiency ratio divides a credit union's noninterest expenses by net revenue. The lower the efficiency ratio, the better. A low efficiency ratio means that noninterest expenses are a smaller percentage of net revenue.

2 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.

We are here to be your peace of mind.

1.29% Return on Assets exceeded local and national averages.

Return on Assets



Grew assets 10.2% to  
**\$4.5 billion**

Statement of  
Financial Condition  
(in thousands)

	2021	2022
ASSETS		
Cash and cash equivalents	\$299,977	\$139,061
Investments	850,709	700,353
Loan to Members, Net	2,911,292	3,609,924
Premises and Equipment	20,839	21,044
Other Assets	40,342	74,188
Total Assets	\$4,123,159	\$4,544,570

LIABILITIES, MEMBER  
DEPOSITS, AND RESERVES

Dividends Payable	\$360	\$4,194
Accrued expenses and other liabilities	25,438	41,608
Notes Payable	-	385,000
Member Deposits	3,670,122	3,723,876
Total Equity	427,239	389,892
Total Liabilities, Member Deposits, and Reserves	\$4,123,159	\$4,544,570



A message from  
our Supervisory  
Committee Chair





## Jeffrey M. Lee

### Supervisory Committee Chair

The Supervisory Committee has the important role of confirming the accuracy and integrity of Tech CU's financial statements each year and ensuring you can rely on the credit union to keep your assets safe.

I'm pleased to report that based on our review of the independent auditor's report for 2022, as well as discussions with the auditor and management, it is the opinion of the Supervisory Committee that Tech CU continues to operate at the highest standards in terms of safety and soundness and has the necessary controls in place to safeguard its members' assets. Reports from our internal auditor and from the National Credit Union Administration (NCUA) provide further evidence in support of this opinion.

We understand the importance of feeling confident that your hard-earned money is being well-managed and protected, especially during uncertain economic times. We remain committed to keeping your credit union strong and financially healthy, and we thank you for putting your trust in Tech CU.



### Supervisory Committee Members

Jeffrey M. Lee, Chair  
Faisal Jeddy, Vice Chair  
Firasat Ali  
Jessica Cassinelli  
Bob Luong

### Tech CU Leadership Executive Management and Board

#### 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

Richard Hanz  
Executive Vice President/Chief Financial Officer

Robert Reed  
Executive Vice President/Chief Retail Banking Officer

Sunder Srinivasan  
Executive Vice President/Chief Information Officer

Doug Stoveland  
Executive Vice President/Chief Credit Officer

### Board of Directors

Mical Atz Brenzel  
Chairman of the Board  
Finance Committee

Kirk Bloede  
Finance Committee

Madonna Bolano  
Compensation Committee Chair

Karen Brochier  
Finance Committee Chair  
Nominating and Governance Committee

Peter Donahower  
Nominating and Governance Committee Chair  
Finance Committee

Todd Harris  
Treasurer and Secretary

Rob Herb  
Compensation Committee

Deepti Jaggi  
Compensation Committee

Barbara Kamm  
Board Vice Chair  
Compensation Committee

Sunil Nagdev  
Nominating and Governance Committee

Joe Shepela  
Finance Committee  
Compensation Committee

# SAFE - SOUND - RESILIENT



Superior Rates  
Superior Capitalization  
Superior Performance  
Unparalleled Service

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



Printed on recycled paper.

©Technology Credit Union. All rights reserved. Federally insured by NCUA, Equal Housing Lender.