



# EVOLUTION

“ Imagination is more important than knowledge – imagination embraces the entire world, stimulating progress, giving birth to evolution. ”

ALBERT EINSTEIN

**EVOLUTION** can be defined as “a process of continuous change culminating in a higher, more complex, or better state.” This has become a rallying cry for companies in an ever-changing world. We hear this call and know how critical it is to evolve – with growth and innovation an inherent part of our culture.

For us, evolution best describes last year’s enhancements to the products, services and technology that have improved our members’ financial lives.

It’s at the intersection of money and meaning, humanity and technology, and community and commerce where we strive to better the member experience – ensuring that we meet their evolving needs, both now and into the future.



## A Message from the Chairman of the Board of Directors

MICAL ATZ BRENZEL

It can be valuable from time to time to reflect on where we have been in order to appreciate where we are today. When I first joined the Board in 1989, we were called Technology Federal Credit Union. We closed 1989 with \$175 million in total assets, \$126 million in member loans and \$164 million in member deposits. We closed 2016 with \$2.2 billion in total assets, \$1.6 billion in loans and \$2.0 billion in deposits, all record numbers for Tech CU. How did we get from there to here? We evolved.

Every year I have been on the Board, our credit union has grown and evolved in multiple ways and dimensions. Measurements of our size as a financial institution (assets, loans, deposits) are obvious markers of our evolutionary growth, because our growth since 1989 has essentially been organic — meaning not through major acquisitions. Behind these broad measures lie more subtle examples of our evolution as a strong, member-owned, member-focused financial institution.

Take a look at our lending, for example. In 1989, our primary lending focus was on auto loans, which comprised about half of our loan portfolio. We have since evolved into a major mortgage and home equity lender, a business and commercial lender, as well as a consumer lender offering members vehicle loans, personal lines of credit, and new in 2016, home solar system loans and a re-launch of credit cards. In less than one year, our solar loans have grown to the size of our entire auto loan portfolio in 1989 (nearly \$60 million). Along with these lending

products, the internal systems that book, manage and analyze these loans have evolved in sophistication and controls. We have also grown the skills and training of the executives, managers and staff who run and oversee these loan portfolios.

**It is not the strongest  
or the most intelligent who  
will survive, but those who  
can best manage change.**

*– Leon C. Megginson*

Look also at the channels through which members interact with us. In 1989, members principally accessed our services by coming to our branches or ATMs, or by calling us on the phone, either to speak with a “live” staff member or interact with our automated telephone system (“Call 24”). We still offer services through branches, the phone and ATMs (our branch and ATM networks have grown considerably since 1989, and the “look and feel” of our branches and the functionalities of our ATMs are much more advanced). But today, members can also access our services through sophisticated online and mobile banking systems, systems that were both further enhanced in 2016. Members can reach us via video conferencing. We also launched a new website this year, providing a sleeker interface that is easier to navigate.

The internal systems that run and monitor the credit union have evolved over time as well. Our ability to integrate and secure an array of information systems into a seamlessly functioning whole is the result of steady evolutionary changes in our hardware, software, and IT personnel and management. The tools we use for internal management and control, such as interest rate risk management, asset/liability management, and enterprise risk management, terms scarcely used in 1989, have evolved as well. We are well regarded by both our regulators and our industry peers in these areas.

One thing that has not needed to evolve is our unwavering commitment to serving our members. In 1989, our annual report stated, “As primarily a service organization, we are required to earn member acceptance and satisfaction daily.” This is still the essence of who we are and why we exist. We want to “wow” our members every day, with exceptional service, knowledgeable staff, and products and services that meet their financial needs. We continue to evolve in many dimensions, but we retain that critical member focus as a core value. Your Board of Directors is committed to providing strategic oversight and direction to Tech CU, ensuring that this core value always remains firmly in place.



## A Message from the President and CEO TODD HARRIS

In nature, evolution is a response to external changes — the idea being that random variations can sometimes be more successful in adapting to a changing environment. In the business world, however, successful evolution is much more deliberate. It requires teamwork, active scanning of a changing marketplace, purposeful and fast solutions to market demands and a laser-like focus on customer-centricity. Evolution within this environment that does not benefit the consumer is simply change. At Tech CU, both customer-centricity and a commitment to continuous improvement — or evolution — have been constants since our inception in 1960.

In this same spirit, we recently evolved our mission statement to the concept of “Delivering a member experience that **WOWs**.” All 230 of our employees agree that providing a **WOW** member experience is the job of each and every one of us. Fintech companies have had a major impact on the financial services landscape — their perceived ease-of-use has set new expectations for convenience. Tech CU has been united in our successful effort to deliver that ease-of-use experience combined with the safety and integrity members rightly expect from a credit union.


Our pace of growth and evolution is hastening, and can be seen by looking at the numbers. In 2014, we celebrated a (then) record \$1 billion in loans. A mere two years later, we are celebrating a record \$1.6 billion in loans. True success, however, is measured by more than record loan balances, record deposits, record assets or record loan fundings. The most critical factor in our achievements is member satisfaction. In 2016, we embarked on the most stringent effort to date to communicate and engage with members to ascertain how best to **WOW** you. We now use the American Customer Satisfaction Index (ACSI) process, a survey which allows you to quickly and conveniently provide feedback to us. ACSI provides a large amount of valuable information and is the basis for us to continuously improve your experience. In addition, we re-instituted a mystery shopper program to help us further polish our interactions with you.

**There are no shortcuts  
in evolution.**

– *Louis D. Brandeis*

The following are just a few of the ways we evolved in 2016:

- Introduced an in-house Visa credit card offering. Bringing this program in-house allows us to service you directly — controlling the member experience from end-to-end and providing that **WOW** factor.
- Relocated the Sunnyvale branch to the Sunnyvale financial district — redesigning it to be consistent with other branches to provide the advice and expertise our members need.
- Expanded our credit card service assistance to 24/7 through a partnership, and expanded training of in-branch staff.
- Increased the number of staff members with Financial Counselor certification — with a focus on financial fitness, servicing those new to the country, and helping to overcome credit challenges.
- Introduced a specialized personal line of credit for our Private Banking clients. Our Financial Advisors now provide service to a record number of members.
- Approved and funded over \$98 million in loan demand from our private banking membership, including the largest first mortgage in Tech CU’s history.
- Launched a customized solar loan for members seeking to install solar panels in their homes — taking advantage of the energy savings from lower utility bills.
- Installed solar power at our 2010 headquarters (960 panels) which is expected to supply approximately 30% of the building’s electrical power needs.



You'll witness further evolution in 2017 as we empower our front-line staff with more authority to make quicker decisions on your behalf and, we are looking at expanding our Call Center availability.

**Our five star mobile app evolved considerably in 2016.** Among its many improvements, the app now features contextual menus so you're not bombarded with options. We also selected fonts and colors designed to be easy on the eyes. We have a large slate of additional functions to implement in 2017 including: card controls and alerts, loan details, and the ability to view check deposit images and execute bank-to-bank transfers. For our online users, we added further loan detail information and enhanced online security, and the ability to print mortgage coupons online (no more lost booklets).

In 2017, you can expect to see further enhanced loan detail and history. In addition to what was mentioned above, we will provide a loan amortization calculator that lets you determine the impact of additional or skipped payments on your balance and maturity date.

**Our commercial line of business also achieved key milestones.** In addition to being one of the few credit unions to provide construction and SBA lending, we also

launched our asset-based lending (ABL) CUSO, Tech Capital LLC in 2016. This legal structure allows us the flexibility to meet the needs of our entrepreneurial members, while at the same time limiting potential risk exposure to the credit union as a whole. We were able to fund nearly \$10 million in loans this past year — helping to provide critical financing for our business members.

**Finally, we are proud of the work we do with our local communities — contributing both time and money.** This includes working with local food banks, supporting STEM education for our students and partnering with the Housing Trust of Silicon Valley to help with affordable housing initiatives. 2017 will see a continuation of this work, including partnering with such non-profits as the Second Harvest Food Bank.

2016 was a fantastic year for our members and Tech CU. You have my promise that we will continue to listen to your feedback as we evolve to provide you that **WOW** experience. You have many choices when it comes to your financial institution, and we greatly appreciate your membership. At Tech CU, we always have your best interests at heart and look forward to continuing to serve you in the years ahead.

When the world changes around you and when it changes against you, you have to lean into that and figure out what to do.

*– Jeff Bezos*



## A Message from the Chief Financial Officer RICHARD HANZ

2016 was a banner year for Tech CU as we continued to evolve our business, our branches and our offerings. We posted record loans of \$1.6 billion, assets of \$2.2 billion and deposits of \$2.0 billion. Even with the strong growth we experienced in 2016, Return on Assets (ROA) increased to 0.87% from 0.73% (in 2015), due to a stellar year for net income. Our credit quality remains excellent, and our net worth ratio remains strong at well above 10%. We funded \$812 million in loans in 2016 — representing a \$123 million increase (18%) over the prior year.

Net income for the year was \$19.1 million, compared to \$15.1 million in 2015 — reflecting an increase of \$4.0 million. Provision expense for loan losses were modest, \$44,000 compared to a \$223,000 credit to the provision in 2015 — a year-over-year increase of \$267,000. Improved financial results in 2016 were largely tied to our ability to grow loan balances more quickly relative to share balances. The ratio of loans to shares increased to 81% in 2016 from 71% at the end of the prior year. This helped increase the Net Interest Margin, which in turn allows us to grow capital to support further growth and offer additional products.

For the fourth year running, our credit quality measures are among the best in the industry. Total reportable delinquent loans remained low at 0.13%, with the commercial loan portfolio showing no delinquencies at year end. Tech CU experienced net recoveries of .01% in 2016 compared to a net recovery rate of .03% in 2015 — with the coverage ratio being more than 500%. 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.

In 2016, we continued to invest in our branch network, reaping the benefits of an innovative design, while also making improvements to our online and mobile offerings. Our ever-present focus is on enhancing our member experience as we continue to grow and evolve. This includes launching three new credit cards: a Visa Signature with Rewards, Visa Classic Secured and Visa Classic Unsecured; a new, more accessible and intuitive website; and improving our mobile app to be more responsive. We also expanded our account product offering with Family Banking — designed to help children learn about saving, smart spending, lending and borrowing money.

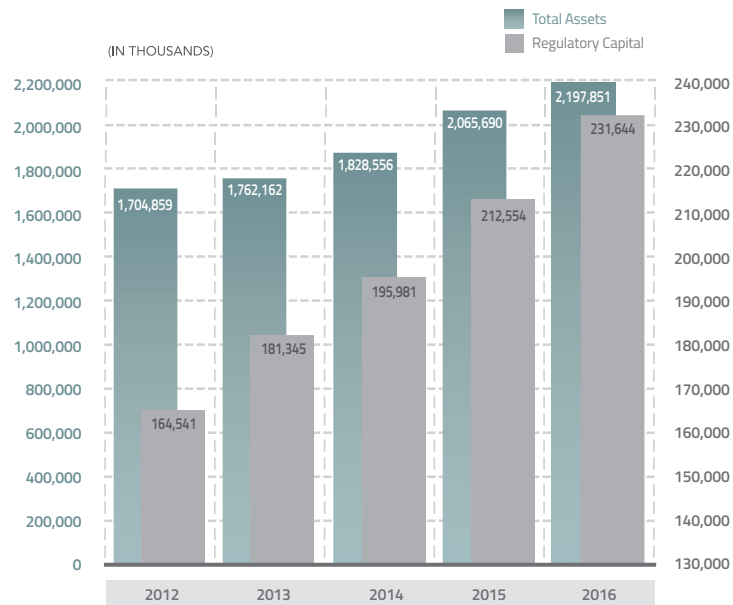
We have created partnerships with key fintechs, reflective of our evolving industry. These have produced significant revenue generating opportunities for our future — advancing our business model and maintaining our strength within the financial industry — ensuring that we will “be there” for our members in the future.

Heading into the next year, we will continue to expand services, 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.

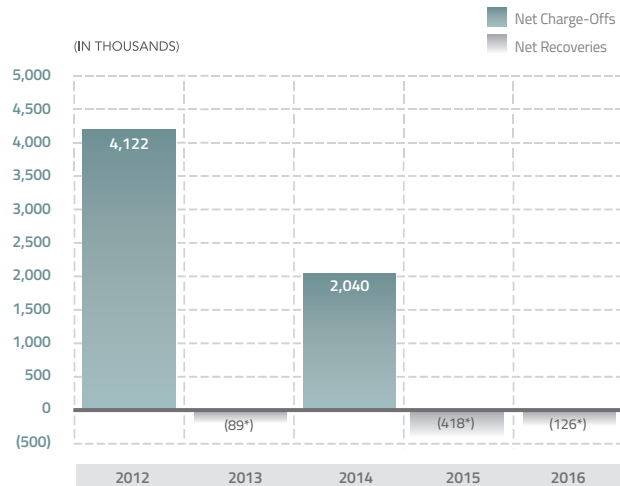
**You must always be  
able to predict what's next,  
then have the flexibility  
to evolve.**

*– Marc Benioff*

## Asset and Capital Growth



## Net Charge-Offs



\*Recoveries exceeded charge-offs.

## Statement of Operations (audited)

(IN THOUSANDS)

Statement of Operations	2012	2013	2014	2015	2016
Interest on Loans	\$39,039	\$37,157	\$36,747	\$42,153	\$49,862
Interest on Investments	9,230	8,893	9,835	11,078	12,216
Total Interest Income	48,269	46,050	46,582	53,231	62,078
Dividends and Interest Expense	4,036	3,409	3,403	4,152	5,927
Net Interest Income	44,233	42,641	43,179	49,079	56,151
Provision for Loan Losses	2,411	(5,136)	(1,528)	(223)	44
Net Interest Income After Provision For Loan Losses	41,822	47,777	44,707	49,302	56,107
Non-interest Income	13,638	11,587	11,003	11,057	10,825
Operating Expense and Non-Operating Expense	45,191	42,560	41,074	45,306	47,841
<b>Net Earnings</b>	<b>\$10,269</b>	<b>\$16,804</b>	<b>\$14,636</b>	<b>\$15,053</b>	<b>\$19,091</b>

## Statement of Financial Condition (audited)

(IN THOUSANDS)

Statement of Financial Condition	2012	2013	2014	2015	2016
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$170,368	\$164,723	\$119,210	\$182,095	\$92,151
Investments	582,307	647,512	616,260	528,611	474,137
Loans to Members, Net	908,618	908,379	1,050,038	1,309,261	1,581,645
Premises and Equipment	19,602	18,304	16,980	18,929	20,016
Other Assets	23,964	23,514	26,068	26,794	29,902
<b>Total Assets</b>	<b>\$1,704,859</b>	<b>\$1,762,162</b>	<b>\$1,828,556</b>	<b>\$2,065,690</b>	<b>\$2,197,851</b>
<b>LIABILITIES, MEMBER DEPOSITS, AND RESERVES:</b>					
Dividends Payable	\$106	\$65	\$63	\$172	\$84
Accrued Expenses and Other Liabilities	8,170	8,585	11,162	9,432	11,865
Notes Payable	0	0	0	0	0
Member Deposits	1,525,683	1,575,375	1,621,112	1,848,884	1,960,679
<b>Total Equity</b>	<b>170,900</b>	<b>178,137</b>	<b>196,219</b>	<b>207,202</b>	<b>225,223</b>
<b>Total Liabilities, Member Deposits, and Reserves</b>	<b>\$1,704,859</b>	<b>\$1,762,162</b>	<b>\$1,828,556</b>	<b>\$2,065,690</b>	<b>\$2,197,851</b>

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# Supervisory Committee

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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 2016, 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, 2016.

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, 2016, 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*



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

**Every now and then, a person's  
mind is stretched by a new idea or  
sensation, and never shrinks back  
to its former dimensions.**

*– Oliver Wendell Holmes, Sr.*



# Community and Government Relations

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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, increased science programming in middle schools, and provided food to families in need, to name just a few.

Some of our notable activities this past year include:

## 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

One of the most critical issues facing our region is affordable housing. 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)**. 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 the Community Housing Partnership — helping to employ and house San Francisco's homeless population.

## Team Tech CU

This year, Team Tech CU rallied around the **Second Harvest Food Bank's Stand Up for Kids Campaign**. Both employees and members raised thousands of dollars — providing over 6,500 meals to families in need. Team Tech CU could also be found volunteering at local schools, participating in the **Silicon Valley Turkey Trot**, wrapping holiday gifts for the **Family Giving Tree**, sorting food for the Second Harvest Food Bank and leading 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, Housing Trust of Silicon Valley, SJSU Alumni Association and Leadership San Jose.**

Since 2007, Tech CU has invested over \$1.4 million in the local community. We are also proud to note that Tech CU has been honored as one of the Top 50 most philanthropic companies in Silicon Valley for the past few years.

## Additional organizations we supported in 2016 include:

- Happy Hollow Science Program
- Silicon Valley Education Foundation
- WANDA (Women's Achievement Network and Development Alliance)
- American Leadership Forum
- Silicon Valley Council of Nonprofits
- Full Circle Fund
- RAFT (Resource Area for Teachers)
- San Jose Museum of Art

# 2017

In 2017, 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.

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

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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**

**Sunil Nagdev**

# Managing Committee

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L to R:

**Richard Hanz**  
SVP/Chief Financial Officer

**Angie Hernandez**  
SVP, Credit Administration

**Jeannie Sugaoka**  
SVP, Support Services

**Todd Harris**  
President and CEO

**Joe Anzalone**  
EVP/Chief Commercial Banking Officer

**Jeannine Jacobsen**  
EVP/Chief Operating Officer

**Dean Davis**  
SVP, Information Technology

**Kate Duggan**  
SVP, Marketing

**Rebecca Nelson**  
SVP, Wealth Management

The background is a solid red color. Overlaid on this is a white, stylized circuit board pattern. The pattern consists of numerous horizontal lines of varying lengths, some with small circles at their ends, and several lines that branch out or step up/down, resembling a complex network or data flow. The pattern is more dense on the right side of the image and fades towards the left.

**techcu**   
techcu.com