

TruWest® Credit Union
2012 Annual Report



2012 Annual Report

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Dan Desmond
President and CEO



Tom Cummiskey
Chairman of the Board

A letter from the *President/CEO & Chairman*

TruWest Credit Union celebrated its 60th anniversary in 2012 with perhaps its best financial performance to date. We are pleased to report that this past year we have enjoyed increased membership, an improved capital position, a dramatic loan growth of 18% (balanced across auto, mortgage and business lending), a strong return on average assets, more than \$160 million in financial-planning assets and our best net earnings to date at \$7.7 million. Our excellent performance is the direct result of TruWest's expertise and careful strategic planning, both of which enabled us to aggressively capitalize on the advantages afforded by an ever-changing economic landscape.

Our strategic approach has carried us through an economically tumultuous few years and allowed us to perform significantly better than our peers. Our carefully crafted combination of cost reductions and deferrals, along with our introduction of new-and-improved products and services, has not only mitigated the impact of the recent economic recession, it has allowed us to recoup much of our

previous losses and thrive now that the economy is improving. Case in point is our net-worth ratio, which continued to grow to an impressive 10.20% in 2012, a ranking that significantly surpasses the Regulatory Authority's 7% level indicating an institution is "well capitalized".

But TruWest's net worth is just one example of its strength. If recent history has taught us anything, it's that success depends equally on preparation and progress. That's why TruWest has continued to commit itself to enhancing its technology-based services. In addition to phone and tablet apps eagerly embraced by our members, we now offer remote deposit capture which allows members to make deposits anytime, anywhere with their smartphone. Internally, we have focused on improving our infrastructure to offer upgraded processing speed and security.

The increased quality and convenience of our services at least partly explains why we've witnessed a 3% growth in membership this past year—the first positive growth we've experienced in

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many years—and a strong improvement in members that consider TruWest their primary financial institution. Another reason for increased membership is undoubtedly our loan rates. No matter which market you look at, our rates are among the most competitive ones out there. As a result, our members continue to award us with high service scores and entrust us with their capital, helping our deposit growth increase by 2.4% in 2012.

TruWest has never been content to rest on its laurels and this year is no exception. As the economy begins to recover, the Credit Union will continue to do what it does best: Serve our members. We expect our loan growth to progress on its upward trajectory, thanks to competitive pricing and desirable programs. Other conveniences, like electronic delivery methods and mobile apps, will receive heightened attention as we simultaneously revamp and upgrade our VISA program so it maintains its relevance and value for our members.

Other plans for our future include those of the bricks-and-mortar variety as we begin to bring new branches online. First on our list is the new-and-improved branch at Dobson and Elliot Roads, which will be directly across the street from our current branch. Best of all, we can accomplish all of these projects without increasing fees the way many other financial institutions do.

The most important component of a successful Credit Union—people—remains at the top of our priorities as we continue to cultivate the product and service growth among younger members.

Strategically, younger members are the future of TruWest, and it is important that they be able to access the benefits of a not-for-profit, cooperative credit union to help them reach their financial goals. Their increased participation will also allow us to take advantage of economies of scale to benefit all our members.

TruWest's concern for people extends beyond the limits of our cooperative to the community at large, which is why we continue to develop and grow what we call the TruDifference—a culture of caring for members, employees and communities. In addition to our unparalleled products and services, financial education seminars and flexible lending solutions that benefit our members, TruWest is extensively involved in worthy causes beyond our doors. In 2012, you could find our volunteers at such organizations as Special Olympics Arizona and Junior Achievement. Our employees and Board members also donated more than \$23,500 to Phoenix Children's Hospital and \$5,000 to Dell Children's Medical Center in Austin in an effort to carry the TruDifference into the communities we serve.

As we keep our eyes on the horizon, TruWest will remain as committed as ever to ensuring the financial well-being of our members through strategically sound business decisions and enhanced benefits and programs. It's a good time to belong to a credit union, but it's an excellent time to be a member of TruWest Credit Union! Thank you for choosing us to be your trusted financial partner.



Scott Johs
Treasurer

Treasurer's Letter

TruWest is committed to providing excellent member service and helping people achieve their financial goals. Throughout 2012, TruWest continued to grow stronger to meet these objectives.

Assets for 2012 were \$791.4M, an increase of 2.9% from 2011, and total member deposits ended at \$695.8M. TruWest's membership – which rounded out the year at 58,377 – continued to turn to the Credit Union for their lending needs and helped the loan portfolio reach \$506.6M in total loans outstanding, up a strong 18% from the prior year. TruWest's capital ratio increased to 10.2% from 9.5% in 2011.

Net interest income for 2012 was \$28.5M, down 6.6% from 2011. Operating expenses totaled \$31.0M, which was an increase of 6.7% from 2011. Dividends paid in 2012 were \$1.4M and TruWest reported a net income of \$7.7M versus \$5.3M in 2011.

I join Tom Cumiskey, Chairman of the Board, and Dan Desmond, President and CEO, in assuring you that TruWest Credit Union continues to be a strong financial institution, with a 5-Star superior rating from Bauer Financial. I wish to personally thank each member for continuing your support of TruWest and for taking advantage of the great products and services we offer. The Board of Directors, along with the TruWest staff, looks forward to helping you meet all of your financial goals.

“TruWest Credit Union continues to be a strong financial institution, with a 5-Star superior rating from BauerFinancial.”



Bill Cranker (AZ)



Jennifer Stanfield (AZ)



Rebecca Weisenberg (AZ)

Supervisory Committee Letter

TruWest Credit Union's Supervisory Committee is a volunteer group comprised of three Credit Union members who are appointed by the Board of Directors. The committee assists the Board with overseeing the integrity of the Credit Union's financial statements. In addition, the committee participates in overseeing internal controls, internal and external auditors and compliance with legal and regulatory requirements. In partnership with the Credit Union's Risk Management Department, TruWest management, our external auditors Orth, Chakler, Murnane & Company, the National Credit Union Administration, the Arizona Department

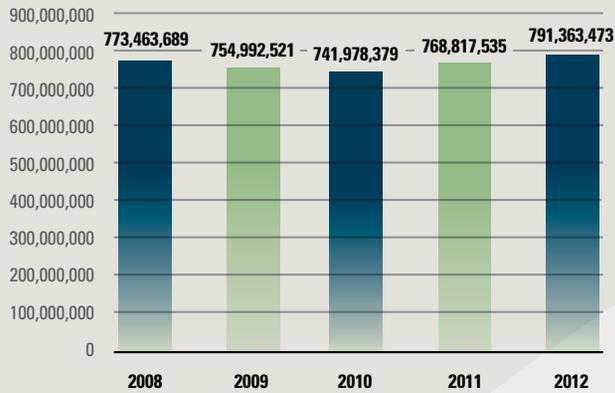
of Financial Institutions and the Texas Credit Union Department, the Supervisory Committee works diligently to ensure your assets are secure through the implementation of sound financial policies, procedures and controls. We confidently report that based on this work, TruWest Credit Union is operating with a system of strong internal controls and is a sound financial institution.

The Supervisory Committee is proud to be part of the TruWest Credit Union organization and we look forward to continuing this partnership with our Board, management and members.

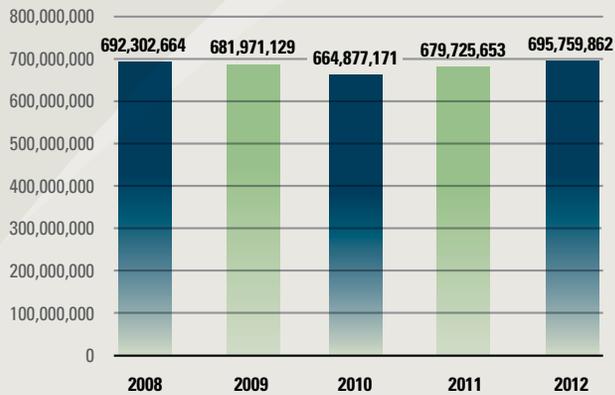
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Financial Highlights

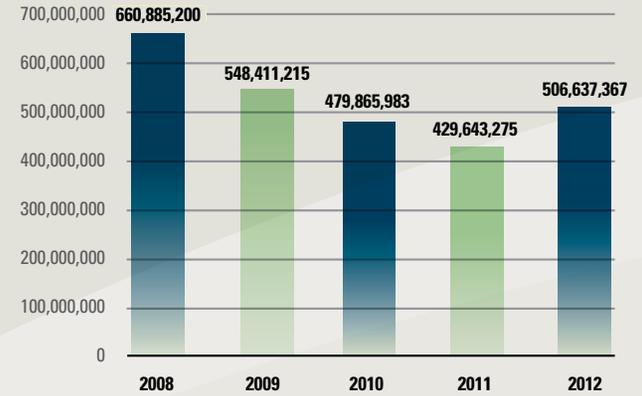
Total Assets



Member Deposits



Member Loans



Balance Sheet

	2012	2011	% Change
ASSETS			
Loans to Members	506,637,367	429,643,275	18%
Allowance for Loan Loss	(6,912,784)	(11,076,216)	-38%
Net Loans	499,724,582	418,567,059	19%
Total Investments	255,275,828	315,721,249	-19%
Net Fixed Assets	17,346,017	15,515,215	12%
Other Assets	19,017,045	19,014,013	0%
TOTAL ASSETS	791,363,473	768,817,535	3%

	2012	2011	% Change
TOTAL LIABILITIES	7,898,592	9,289,942	-15%
Total Savings	269,389,045	244,681,863	10%
Total Checking	39,748,290	41,605,208	-4%
Total Money Market	280,147,163	278,050,265	1%
Total IRA	28,926,193	27,263,758	6%
Total Certificates	77,549,172	88,124,560	-12%
TOTAL DEPOSITS	695,759,862	679,725,653	2%
TOTAL RESERVES	87,705,019	79,801,940	10%
TOTAL LIABILITIES, MEMBER DEPOSITS AND RESERVES	791,363,473	768,817,535	3%

Net Worth Ratio



Highlights

	2012	2011	% Change
Members	58,377	56,664	3%
Savings Accounts	67,225	64,851	4%
Checking Accounts	33,614	31,701	6%
IRAs	3,795	4,124	-8%
Money Market	6,535	6,420	2%
Certificates	3,040	3,461	-12%
# of Loans	38,714	34,698	12%
Online Banking Users	28,596	27,059	6%
Bill Payment Users	13,285	11,944	11%

Income Statement

	2012	2011	% Change
Interest on Loans	24,394,235	26,416,939	-8%
Interest on Investments	5,530,645	5,920,651	-7%
Interest Expense	1,411,561	1,817,035	-22%
Net Interest Income	28,513,319	30,520,555	-7%
Non-Interest Income	10,663,355	9,489,170	12%
Operating Expenses	31,039,060	29,083,832	7%
Provision for Loans Losses	443,193	5,606,525	-92%
Net Income	7,694,421	5,319,368	45%

2012 Senior Management



Dan Desmond
President and
Chief Executive Officer



Alan Althouse
Executive Vice President and
Chief Financial Officer



Gary Bernard
Senior Vice President and
Chief Operations Officer



Farid Farbod
Senior Vice President and
Chief Lending Officer



Chris Kearney
Senior Vice President and
Chief Technology Officer



Jeff Peabody
Senior Vice President and
Chief Marketing Officer

2012 Board of Directors



Tom Cummiskey
Chairman (AZ)
Term Expiration: 2015



David Prechtel
Vice Chairman (AZ)
Term Expiration: 2013



Tim Niesz
Secretary (AZ)
Term Expiration: 2014



Scott Johs
Treasurer (AZ)
Term Expiration: 2014



Jeff Homer (AZ)
Term Expiration: 2013



Mike Moulton (TX)
Term Expiration: 2015



Jeffrey Myers (TX)
Term Expiration: 2014



Rick O'Connor (AZ)
Term Expiration: 2013



Mike Vasko (AZ)
Term Expiration: 2013



Clarke Straughan (TX)
Advisory Committee
Term Expiration: 2013



Susanna DeFranco (AZ)
Advisory Committee
Term Expiration: 2013



Experience the TruDifference

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Texas	512.996.4000
Toll-free	1.855.TRUWEST (878.9378)
	truwest.org



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