

2017 ANNUAL REPORT




TRUSTONE FINANCIAL 79TH ANNUAL MEETING OF MEMBERS

Oakdale, Minnesota | Opened April 2017

Nearly eight decades ago, there was a dream of a financial institution that centered around communities and the people that encompass them. Our strides as your neighborhood credit union wouldn't have been possible without the support and loyalty from our valued members - you.

With locations spanning across Minnesota and Wisconsin, a community of more than 108,000 members and anticipated growth - your vision is our mission.





LETTER FROM THE CHAIRMAN

As your board chairman and as a volunteer with nearly 25 years of experience at TruStone Financial, I am pleased to report another strong year in 2017. Last year, we surpassed \$1.3 billion in assets – a historic milestone in our 78 year history. We also welcomed 11,303 new members to the credit union, bringing our total to more than 108,000 members. These new members came to us for a variety of reasons, for different products or services and in different stages of life. But our goal for these new members, indeed for all of our members, remains the same: to provide the best possible products and services to help facilitate your financial success.

The credit union is guided by a board of directors which draws upon hundreds of years of experience to execute its strategic vision. We are committed to maintaining the safety and security that you've come to expect from your neighborhood credit union. At the same time, our focus remains results-oriented and we are proud of the progress we've enjoyed together. We remain one of the fastest-growing credit unions in the Midwest, with a proven ability to adapt to our challenging and often volatile market.

After nearly a decade of historically low interest rates and minimal inflation, it appears that both long and short term interest rates are on the rise. And for the first time in recent memory, economists are discussing the possibility of inflation. The board of directors and senior management team carefully analyze economic and financial data, recognizing that these events can influence loan and dividend rates and the value of our long term investments. We remain committed to charting a course for TruStone Financial to succeed, notwithstanding the aforementioned economic challenges.

TruStone Financial has had a long and proud history of offering competitive interest and dividend rates. We have a strong balance sheet with a healthy mix of both short term and longer term lending products. We employ conservative financial practices, always faithful to making decisions with your best interest in mind.

On behalf of your board of directors, TruStone Financial management and staff, thank you for your continued confidence in us.

A handwritten signature in black ink that reads "Thomas J. Alagna". The signature is fluid and cursive.

TOM ALAGNA, CPA, MBA
CHAIRMAN



LETTER FROM THE CEO

For the last seven years I have had the honor of reporting our year-end results to our most important audience: you, our members. And I am proud to once again announce that 2017 was a very successful year for your neighborhood credit union. We grew across all product lines and ended the year with more than \$1.3 billion in assets.

The credit union has almost doubled in size since 2010. Growth is important as it provides us with economies of scale which make it easier to absorb the increased regulatory and compliance costs, quite literally threatening small financial institutions. It permits us to continue to offer loans and deposit products to our members with very attractive interest rates. Additionally, we invest in the products, services and locations which are important to our members.

Our continued financial strength allows us to invest in new technologies and services to better serve your needs. Many of our investments in technology are put into place to keep your accounts safe. As anyone who watches or reads the news knows, hackers and fraudsters are becoming more aggressive every year. This means that we also have to become more sophisticated in order to prevent and detect fraud against the credit union and its members. Whether it's counterfeit bill detection in branches, education on the latest scams or suspicious debit or credit card activity, protecting your personal information is one of our top priorities.

We invested heavily into our culture, experience and brand over the last few years. Our goal with these efforts is to give the community a renewed sense of our commitment to the neighborhoods we call home. In fact, in October of 2017 TruStone Financial employees volunteered more than 1,500 hours, donating time, resources and goodwill to charities in their areas in a positive and unique way. I am proud of the employees' pledge to make their communities a better place.

In 2017 we launched the Branch Ambassador Program. This program allows select members to pair with the branch manager in a focus group-style setting to give feedback on the branch, service, community event opportunities, product reaction and more. We have nearly 60 ambassadors that meet with their branch on a quarterly basis. This valuable feedback ensures both our members' needs are being met and we are maintaining relevance within the community.

Our success could not be possible without the leadership of the board of directors at TruStone Financial and the employees that make it all possible. We truly have the hardest working staff that strive to make every interaction with you better than any single transaction.

TIM BOSIACKI
CHIEF EXECUTIVE OFFICER

IN THE COMMUNITY



At TruStone Financial, we don't just believe in the credit union philosophy of people helping people – it's who we are and what we do. From local parades to school donations, you'll see our staff rolling up their sleeves and stepping outside the credit union doors to support the neighborhoods we call home.

AT A GLANCE

	2017	2016	CHANGE
MEMBERS	108,816	102,687	6%
ASSETS	\$1.30 B	\$1.16 B	12%
LOANS	\$919,667	\$812,313	13%
SHARES	\$1.04 M	\$960,229	8%
BRANCHES	14	13	1
EMPLOYEES	324	303	21

3,000+
VOLUNTEER
SERVICE HOURS

KEY RATIOS

	2017	2016
MEMBERS PER BRANCH	7,773	7,899
MEMBERS PER FTE	345	347
AVG LOAN OUTSTANDING	\$17,568	\$15,265
AVG LOAN ORIGINATED	\$44,330	\$41,132
AVG SHARES PER MEMBER	\$9,557	\$9,351
LOAN-TO-SHARE RATIO	88.4%	84.6%
EQUITY PER MEMBER	\$1,184	\$1,127
RETURN ON ASSETS	1.05%	1.15%

\$100,000+
CHARITABLE
CONTRIBUTIONS

MEMBER SERVICE*

	2017	2016
SATISFACTION SCORE	9.67	9.68
MEMBER EFFORT	9.60	7.78
OVERALL EXPERIENCE	9.24	9.19

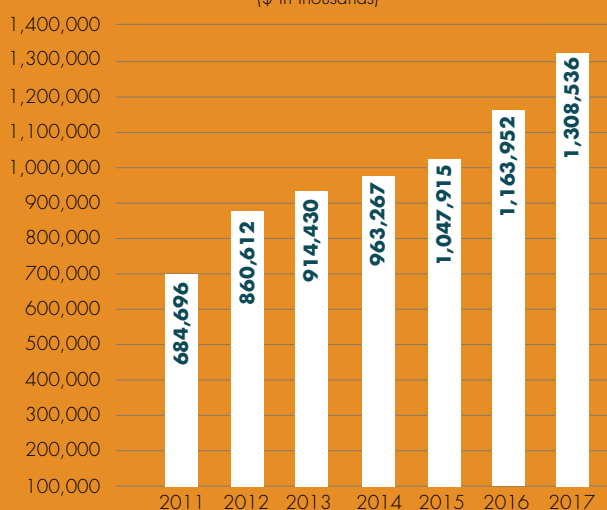
46

INTERNAL STAFF
PROMOTIONS

*Member service scores based on 10-point scale

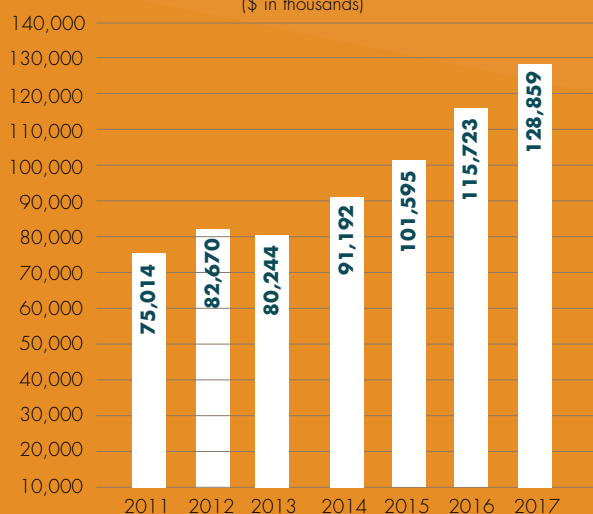
TOTAL ASSETS

(\$ in thousands)



MEMBERS' EQUITY

(\$ in thousands)



2017 FINANCIALS

Years ended December 31
\$ In thousands

BALANCE SHEET

	2017	2016
ASSETS		
Loans, net	914,357	807,788
Investments	234,153	230,191
Cash and cash equivalents	81,822	46,526
Property & equipment, net	31,752	30,209
Other assets	46,452	49,238
Total Assets	1,308,536	1,163,952
LIABILITIES & MEMBERS' EQUITY		
Member shares	1,040,001	960,229
Borrowed funds	116,668	70,439
Other liabilities	22,988	17,561
Total Liabilities	1,179,677	1,048,229
Members' equity	128,859	115,723
Total Liabilities and Members' Equity	1,308,536	1,163,952

INCOME STATEMENT

	2017	2016
NET INTEREST INCOME		
Loans	39,455	35,403
Investments	5,662	5,067
Dividend/Interest expense	5,109	4,087
Provision for loan losses	2,181	1,702
Net Interest Income	37,827	34,681
NON-INTEREST INCOME		
Loan sale and servicing	9,278	9,173
Service fees	6,204	5,604
Other non-interest income	7,515	6,968
Total Non-Interest Income	22,997	21,745
NON-INTEREST EXPENSE		
Compensation and benefits	25,878	23,201
Occupancy & office operations	11,649	10,718
Other	10,294	9,776
Total Non-Interest Expenses	47,821	43,695
Net Income	13,003	12,731

MESSAGE FROM THE SUPERVISORY COMMITTEE CHAIR

The supervisory committee works with the internal auditor and external CPA firms to assess the safety and soundness of the credit union. The most recent audit of TruStone Financial supports our belief that the credit union is in sound financial condition. During 2017 the committee engaged CliftonLarsonAllen, LLP certified public accountants, to complete the annual independent audit. The audit opinion stated our financial statements fairly represent our financial position in conformity with accounting principles generally accepted in the United States of America. They also concluded that no reportable conditions were noted during their audit.



JOHN CHRISTENSON
SUPERVISORY COMMITTEE, CHAIR

BRANCH REMODEL

6715 GREEN BAY ROAD, KENOSHA WI





Thank you, Roger Cersine

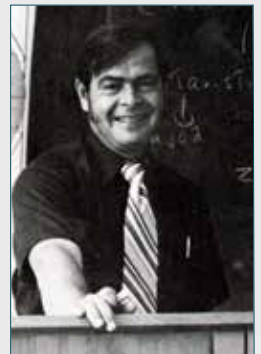
Roger Cersine joined the Teacher Federations Credit Union supervisory committee in March 1970. At the time he began volunteering with the credit union it had 3,525 members and just under \$4 million dollars in assets.

Roger has seen his fair share of changes at the organization. Today, we invest in online and mobile transactions. But, at the time his service began, credit unions in Minnesota did not offer share draft checking accounts, ATMs or safe deposit boxes. In fact, the credit union didn't start using personal computers until 1979.

He worked closely with credit union executives through dozens of branch openings, numerous mergers and leadership changes. He was voted onto the board of directors in 1997.

Roger hails from Ely, Minnesota. He was a social studies teacher at Washburn High School in South Minneapolis. He and his wife Barbara raised their family in Edina. He has two children and two grandchildren. Outside the classroom and the credit union, Roger was a swimming and diving official for nearly 30 years at the high school and collegiate level. He traveled across the country to officiate the USS, Masters, NCAA Championships, Junior Olympics and Special Olympics swim meets. He was a recipient of the 2011 National Interscholastic Swim Coaches Association Special Commendation Award and inducted into the Minnesota State High School League Hall of Fame in 2013. He was a Minnesota State High School League swimming and diving rules interpreter for 35 years. Roger spent many years as an avid wilderness canoe tripper to the Canadian wilderness, often starting where everyone else quit, paddling hundreds of miles per trip.

As Roger closes in on his 48th year of service to the credit union, his impact cannot be underestimated. His leadership, infectious laugh and unique personality are felt throughout the credit union from our front line staff to the executives. Our sincerest and heartfelt thank you to Roger and Barbara for helping make the credit union what it is today.



Roger Cersine in his classroom at Washburn High School.

LOCATIONS

BOONE AVENUE

605 Boone Avenue North
Golden Valley, MN 55427

BURNSVILLE

14300 Nicollet Court, Suite 100
Burnsville, MN 55306

GREEN BAY ROAD

6715 Green Bay Road
Kenosha, WI 53142

HIGHLAND

757 Cleveland Avenue South
St. Paul, MN 55116

LYN-LAKE

2817 Lyndale Avenue South
Minneapolis, MN 55408

MAPLE GROVE

7851 Elm Creek Boulevard
Maple Grove, MN 55369

MILWAUKEE-CUDAHY

5570 South Packard Avenue
Cudahy, WI 53110

NORTHEAST MINNEAPOLIS

527 Central Avenue NE, Suite 2
Minneapolis, MN 55413

NORTHSIDE

2707 30th Avenue
Kenosha, WI 53144

OAK CREEK

2121 East Rawson Avenue
Oak Creek, WI 53154

OAKDALE

7860 32nd Avenue North
Oakdale, MN 55128

PLYMOUTH CORPORATE CENTER

14601 27th Avenue North, Suite 104
Plymouth, MN 55447

ROGERS

14115 James Road, Suite 300
Rogers, MN 55374

ROSEVILLE

2150 Lexington Avenue North
Roseville, MN 55113

ST. CLOUD - coming soon!

3240 Division Street
St. Cloud, MN 56301

LEADERSHIP

BOARD OF DIRECTORS

Tom Alagna, Board Chair
Samuel Stern, Vice Chair
Doug Nesbit, Treasurer
Fred Sulzbach, Secretary

Stephen Bohlig
Roger Cersine
Darrick Metz

ASSOCIATE DIRECTOR

Andy Johnson

SUPERVISORY COMMITTEE

John Christenson, Chair
Brian Lee, Secretary
Stephen Hunziker
Lenny Newman

EXECUTIVE VICE PRESIDENTS

Tim Bosiacki, CEO
Hans Iverson, COO
Steve Steen, CBO
Dan Zaczkowski, CFO
Nathan Grunzke, Director of
Mortgage Operations
Phil Young, General Counsel

SENIOR VICE PRESIDENTS

Katie Grindeland
Gary Maki
Lisamarie Meyer
Jeffrey L. Rothmeyer
Jeff Smrcka
John Verplank

VICE PRESIDENTS

Tom Barkley
Justin Burnard
Sheloa Fieldseth
Gina Leyda
Jess McClellan
Kacie Osten
Frank Planton
Kelly Smith
Kim Williams
Lisa Zimbeck

PRODUCTS & SERVICES

PERSONAL

Primary Share
Certificates of Deposit
Money Market Accounts
MoneyWise Youth Savings Accounts
Value Checking
Premium Checking - [coming soon!](#)
TruRate Checking

BUSINESS

Primary Share
Certificates of Deposit
Money Market Account
Small Business Checking
Business Checking

LOANS

Visa® Signature Credit Card
Visa® Share Secured Credit Card
- [coming soon!](#)
Mortgage Loans
Home Equity Line of Credit
Personal Loan
Personal Line of Credit
Recreational Loan
Aircraft Loans

INVESTMENTS

Individual Retirement Accounts
Retirement Plans
Asset Management
Income Investment Strategies
College Savings Plans
Long-Term Care Solutions

SERVICES

Visa® Debit Card
Online Banking
Mobile Banking
Bill Pay
Text Banking
eStatements
MobilePay
Mobile Deposit
PrePaid Visa® Gift Cards
Overdraft Protection



TRUSTONE[™]
FINANCIAL

Your Neighborhood Credit Union

*Your
Neighborhood
Credit Union*