



TruStone Financial Credit Union | 2009 Annual Report



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Chairman's Letter

The Board and Management of TruStone Financial Federal Credit Union are proud to conclude our 70th anniversary year by re-affirming our commitment to understanding and working for the needs of our members. We can think of no better symbol to commemorate this milestone, and our dedication to the membership, than the opening of our new full service branch in Maple Grove, which features innovative design and amenities that focus on better serving our members.

This year also marked the opening of our new branch in Minneapolis. We are proud to serve all of our members with increased locations, including our new Minneapolis branch.

We invite you to stop in to any of our branches and experience the solutions and services we offer. TruStone constantly seeks your input through focus groups, emails, phone calls, our website and face-to-face discussions. The dedication of our members is a key to our success and the services and products which we offer are direct results of your participation and input.

While it is important to celebrate our successes, it is also important to recognize that the past year was one of unprecedented financial and economic challenges, not only for our nation but also for the credit union industry. We are in a time of wide-reaching regulatory transformations, which have not yet concluded and which will likely forever change the way credit unions do business. TruStone's strong Board and Management leadership, along with our capital positions, have provided the reserves and strength required to protect the credit union and serve our members.

The economy has impacted our members and an increasing number have been unable to pay their debts. This has caused us to charge off many loans as bad debts and will affect our economic results for the year. We expect delinquencies and charge-offs to increase in the third and fourth quarters of the year and must accordingly increase the allowances set aside to protect against future losses. This, too, will influence our ability to earn income based upon our deposits.

Our earnings have also been affected by actions taken by the National Credit Union Administration's (NCUA) Corporate Stabilization fund. The NCUA has required all federally insured credit unions, such as TruStone, to fund a special assessment to provide liquidity to corporate credit unions, which serve credit unions and not individual members. Although TruStone did not contribute to losses sustained by corporate credit unions, we are required to pay into the stabilization fund and this has had a negative impact on our earnings.

We expect continued challenges for our economy and for the credit union industry. Nonetheless, even in these difficult economic times, our conservative governance and management philosophy focuses on improving efficiency and carefully managing growth and risk, while protecting our members' deposits and lending responsibly.

I wish to thank you, our member owners, for your continued support of your credit union.

*Sincerely,
Steve Boblig
Chairman of the Board*

Balance Sheet as of December 31, 2009

	2009	2008	
Assets			
Loans to members (net)	\$ 308,000,160	\$ 429,054,699	
Cash and Investments	303,916,783	160,215,865	
NCUA Share Insurance Deposit	5,369,258	4,764,175	
Land and Building (net)	15,985,449	9,154,003	
Furniture, Fixtures & Equipment (net)	1,582,868	1,119,472	
Loans Held for Sale	2,420,496	1,047,259	
Accrued Interest Receivable	2,224,951	2,682,944	
Prepaid and Other Assets	2,846,970	6,630,400	
Total Assets	\$ 642,346,935	\$ 614,668,817	← Total Assets - Our total assets reflected growth of 4.50 percent over last year.
Liabilities			
Dividends & Interest Payable	\$ 707	\$ 664	
Borrowed Funds	-	-	
Accounts Payable & Other Liabilities	4,398,541	5,000,759	
Total Liabilities	\$ 4,399,248	\$ 5,001,423	
Member Capital			
Share/ Savings Accounts	\$ 80,590,294	\$ 78,815,259	
Checking Accounts	79,229,835	76,192,584	
Money Fund & Daily IRAs	149,708,030	138,857,819	
Certificates (including IRAs)	261,279,232	253,772,673	
Total Member Capital	\$ 570,807,391	\$ 547,638,335	← Member Capital - Our total member capital reflected growth of 4.23 percent over last year.
Reserves			
Statutory Reserve	\$ 8,861,451	\$ 8,861,451	
Undivided Earnings	58,278,845	53,167,608	
Total Equity	\$ 67,140,296	\$ 62,029,059	← Reserves - Our accumulated earnings have grown by 9.61 percent and reflect our strong financial stability. Being in this position enables us to continue to support our expansion goals and weather a wide range of economic conditions.
Total Liabilities, Member Capital and Equity	\$ 642,346,935	\$ 614,668,817	

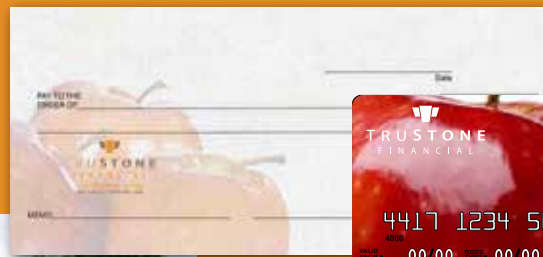
Operating Statement as December 31, 2009

	2009	2008	
Interest Income			
Loan Interest	\$ 23,842,041	\$ 28,754,967	
Investment Income	6,984,072	4,507,150	
Total Interest Income	30,826,113	33,262,117	
Interest/Dividend Expense			
Dividends to Members	\$ 11,554,529	\$ 14,547,045	
Borrowed Funds	4	-	
Total Interest/Dividend Expense	11,554,533	14,547,045	← Net Interest Income - This figure represents the difference between what we earned on loans and investments less what we paid to members in the form of dividends on our deposits to members.
Net Interest Income	\$ 19,271,580	\$ 18,715,072	
Provision for Loan Losses	\$ 3,218,178	\$ 5,142,775	← Provision - This expense item represents money set aside for potential future losses on our loans to members.
Net Interest Income after Provision	\$ 16,053,402	\$ 13,572,297	
Operating Fee Income			
Fees and Service Charges	\$ 4,500,250	\$ 4,500,626	
Other Miscellaneous Income	3,262,675	3,451,589	
Total Operating Fee Income	7,762,925	7,952,215	← NCUA Special Assessment - all credit unions were required to make an additional contribution to the deposit fund due to poor economic conditions.
Operating Expenses			
Compensation and Benefits	\$ 11,230,970	\$ 11,156,221	
Occupancy	1,539,475	1,298,327	
NCUA Special Assessment/Impairment	4,063,482	-	← Operating Expenses - To enable us to offer a wider range of services and enhanced branch convenience, we recognized an increase of 3.98 percent in our operating expenses excluding NCUA Special Assessment. With our members' needs in mind, the necessary expenditures were budgeted for and then implemented.
Other	8,196,897	7,711,120	
Total Operating Expenses	25,030,824	20,165,668	← Net Income - After all the expenses and dividends were paid, we achieved a strong net earnings figure. This represented 0.40 percent return on average total assets. These earnings continue to support our goal of financial safety and soundness we strive to achieve.
Non-Operating Income	\$ 3,699,055	\$ 741,785	
Net Income	\$ 2,484,558	\$ 2,100,629	

2009/2010 Highlights

Apples for TruStone Teachers

Back by popular demand, the apple debit card and checks are available for our teacher members.



School Bus Express Hits the Road

TruStone's School Express made stops at 21 schools and three district offices to deliver classroom supplies and materials for more than 1100 teachers.



New LynLake Minneapolis Branch Opened in May 2010

Our new full-service LynLake branch brings us full-circle from our beginning in 1939 in Minneapolis. TruStone donated books to Lyndale Elementary students and will partner with the school on special reading 'dates'.



Students Earn Trip to Minnesota History Center's Ben Franklin Exhibit

One of our youth members and her classroom from Kimball Elementary School earned a field trip to attend this educational exhibit.



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