



WORKING IN HARMONY WITH YOU,  
TDECU - YOUR CREDIT UNION  
PROMISES TO ENHANCE  
YOUR LIFE BY DELIVERING  
THE BEST BANKING, INSURANCE,  
AND INVESTMENT SERVICES,  
THUS FORMING

*A More Perfect Union.*



2010 ANNUAL REPORT

## LETTER FROM THE CHAIRMAN



The year 2010 was a tough one for members and TDECU. The recession arrived late to Texas and many felt the impact as companies began to reduce hours and benefits, and lay off employees. We know many of you have someone within your circle of family and friends that have experienced events such as these.

Adding to the economic challenges, we continue to bear the burden of the NCUA insurance charges, which began in 2009. These charges will continue over the next 10 years, as TDECU will pay no less than \$35 million and possibly up to \$50 million dollars to cover the insurance costs for credit unions that have failed. For 2010, that amounted to an additional \$3.4 million to cover losses we did not create.

Despite the challenges of 2010, we closed the year with earnings of over \$250,000 and our performance continues to exceed that of our peers in the credit union industry.

Credit Unions continue to face new legislation and regulations; many of which impact the affordable financial services TDECU offers its members. While we are active in credit union industry efforts to ensure our voice is heard in the legislative process, your voice is important too. Please visit [TDECU.org](http://TDECU.org) for information on current legislation that impacts you, our member, and information on how to contact your legislative representatives on these issues.

TDECU just celebrated 55 years of serving our members and owners. A lot has changed in those 55 years, but one thing has not – our commitment to you. All of us at TDECU promise to enhance your life by delivering the best banking, real estate lending, insurance, and investment services. We proudly call TDECU - A More Perfect Union.

Thank you for making TDECU an important partner in your life.

A handwritten signature in black ink that reads "Marcus Stephenson". The signature is written in a cursive, flowing style.

MARCUS STEPHENSON, CHAIRMAN OF THE BOARD

## YOUR TDECU BOARD

MARCUS STEPHENSON, CHAIRMAN  
PEGGY MILTENBERGER, FIRST VICE CHAIRWOMAN  
DICK SMITH, SECOND VICE CHAIRMAN  
GEORGE HORNBACK, SECRETARY  
DAVID OZUNA, ASSISTANT SECRETARY  
ED ZINGLEMAN, TREASURER  
MIKE TRACY, ASSISTANT TREASURER  
ROLAND HENDRICKS, DIRECTOR  
DANIEL BUCHE, DIRECTOR

## AGENDA

Call to Order

Determination  
of Quorum

Invocation

Approval  
of Minutes

Reports  
President/CEO  
Chairman  
Audit Committee  
Treasurer

Board Election  
Results

Door Prizes  
(Must be present to win)

Adjournment  
Refreshments in the  
Terrace Room

After adjournment,  
TDECU's Board of  
Directors will be in the  
Terrace Room to meet  
with members and  
answer questions.

## AUDIT COMMITTEE REPORT



The Audit Committee of Texas Dow Employees Credit Union (TDECU) acts as your independent representative to ensure the financial condition of the credit union is safe and sound. The Audit Committee is an extension of the board of directors and has oversight responsibilities for the financial reporting control process, the system of internal control, the audit process, monitoring compliance with laws and regulations, and monitoring the compliance of operating policies and procedures for TDECU and its subsidiaries. Throughout the year, internal audits, external audits, and regulatory examinations are performed to carry out these responsibilities in an efficient and prudent manner.

The Texas Finance Code requires an annual audit of the books and records of the credit union. To accomplish this, the Audit Committee engaged the services of Doeren Mayhew, one of the top accounting firms serving credit unions in the U. S., to audit the financial statements. Doeren Mayhew performed the financial audit as of December 31, 2009. Based on the audit, Doeren Mayhew rendered an unqualified opinion on the financial statements as of December 31, 2009. The audit report as of December 31, 2010, will be completed in the second quarter of 2011.

The Audit Committee commends the entire TDECU staff and volunteers for serving the membership and making 2010 a successful year despite the challenging economic climate.

A handwritten signature in black ink that reads "Roland K. Hendricks".

ROLAND K. HENDRICKS, AUDIT COMMITTEE CHAIRMAN

## REPORT FROM THE TREASURER



In 2010, TDECU members received \$162,322,647 in mortgage loans, \$180,980,787 in auto loans made through dealerships, and \$124,025,625 in business services loans. As one of the largest credit unions in Texas and the nation, TDECU assets grew to \$1,587,831,894 in 2010.

TDECU – Your Credit Union ended the year with a net income of \$267,150. Our net income was impacted by the \$3.4 million NCUA insurance assessment in 2010. The NCUA insurance assessments began in 2009 and will continue for the next 10 years to cover losses to

corporate and natural person credit unions – losses we did not create.

TDECU remains committed to finding new and innovative ways to reward our members in the form of lower rates and new products and services. You can count on us to make financially sound decisions to ensure that TDECU – Your Credit Union is always there for you.

A handwritten signature in black ink that reads "Ed Zingleman".

ED ZINGLEMAN, TREASURER

# CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)\*

As of December 31, 2010

## EARNING ASSETS

Total Loans	\$1,420,880,301
Total Investments	129,597,732
Total Earning Assets	<u>1,550,478,033</u>

Allowance for Loan Losses (ALL) (24,272,752)

## OTHER ASSETS

Land, Premises & Equipment	34,018,308
Accounts Receivable	9,985,504
National Credit Union Share Insurance Fund Deposit	11,030,180
Miscellaneous Other Assets	<u>6,592,621</u>
Total ALL & Other Assets	37,353,861

★ **TOTAL ASSETS** **\$1,587,831,894**

## LIABILITIES

Total Members' Shares	1,202,306,434
Other Liabilities	13,359,211
Borrowings	245,435,597

## EQUITY

Retained Earnings (Capital/Member Equity)	126,730,652
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★ **TOTAL LIABILITIES AND EQUITY** **\$1,587,831,894**

# CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)\*

For the year ending December 31, 2010

## INTEREST INCOME

Loans to Members	94,167,251
Investments and Cash Equivalents	444,582
Total Interest Income	<u>94,611,833</u>

## INTEREST EXPENSE

Members' Dividends	14,423,136
Borrowed Funds	5,478,327
Total Interest Expense	<u>19,901,463</u>

Net Interest Income 74,710,370

## PROVISION FOR LOAN LOSSES

Net Interest Income After Provision for Loan Losses	<u>32,297,475</u>
	42,412,895

## NON-INTEREST INCOME

Fee Income	16,003,213
Other	<u>13,057,317</u>
Total Non-Interest Income	29,060,530

## NON-INTEREST EXPENSE

Operating Expenses	67,593,992
NCUA Assessment/Impairments	3,431,257
Non-Operating Income	<u>181,026</u>
Total Non-Interest Expense	71,206,275

★ **NET INCOME** **\$267,150**

\*Detailed audited Financial Statements with Report of Independent Auditors for the fiscal year ended December 31, 2009, and monthly interim unaudited Financial Statements are available for members at TDECU's Lake Jackson office. Federally insured up to a minimum of \$250,000 by NCUA.

