



2011 ANNUAL REPORT

**TOGETHER,
WE'RE FORMING
A MORE PERFECT
UNION.**

TDECUCU

Your Credit Union

BANK • INSURE • INVEST • OWN



LETTER FROM THE CHAIRMAN



Reflecting on 2011, undoubtedly the biggest news of the year for TDECU were the mergers with Bluebonnet Credit Union (BCU) and San Jacinto Area Credit Union (SJACU). BCU, with four locations in Houston: Baytown, the Heights, Galleria area, and downtown Houston, and SJACU, with two locations in Pasadena, have memberships resembling that of our own and are rooted in service to the employees in the petrochemical industry. We have been delighted to bring their employees aboard as they exemplify the same core values that are so important to us at TDECU. These mergers will enhance our ability to serve Houston area members and bring many new members to TDECU.

We grew the services we provide our members with the acquisition of the top-producing real estate company for Brazoria County – Birdsong Real Estate. We have our members in mind when making these very important decisions, and saw a way to provide real value through the addition of Real Estate brokerage services. Ed Birdsong’s core values reflect the values we live by at TDECU and his agency is well-known for delivering outstanding service and true expertise throughout the sale transaction.

After weathering a tough year in 2010, we saw strong results for 2011. We ended the year with a net income of \$13,325,677 – a substantial increase over last year’s net income of \$267,150. Our membership grew to 163,801 members, an increase over 2010’s year end membership of 136,972. I would like to note that we also changed our by-laws in 2011 to add Matagorda County to our field of membership which was approved prior to opening our new Bay City branch last year.

We are very proud of these numbers and proud of the 571 TDECU employees who executed the business strategy which allowed us to exceed the performance of many of our peers in the credit union industry, while addressing punitive regulatory legislation and a slowly rebounding economy. We were able to accomplish those results by keeping our focus on our members and their needs.

We continued to offer very competitive rates on deposits and loans in our communities. We saw a strong response to our new \$1,000 a Day checking, which rewarded our existing members, and attracted new ones. And instead of finding ways to charge fees to our members to recover income lost through the new regulations, we continued to offer free checking along with a chance to win \$1,000 every day by having a personal checking account. We certainly stood out as one of the few financial institutions who found ways to give back to our members in a challenging year.

We look forward to continuing to serve you with the service a member-owner deserves and we are grateful to you for making TDECU an important partner in your life.

MARCUS STEPHENSON, *Chairman of the Board*

YOUR TDECU BOARD

- MARCUS STEPHENSON, *Chairman of the Board (term ends January 2013)*
- PEGGY MILTENBERGER, *First Vice Chairwoman (term ends January 2013)*
- DICK SMITH, *Second Vice Chairman (term ends January 2012)*
- GEORGE HORNBACK, JR., *Secretary (term ends January 2012)*
- DAVID OZUNA, *Assistant Secretary (term ends January 2014)*
- ED ZINGLEMAN, *Treasurer (term ends January 2014)*
- MIKE TRACY, *Assistant Treasurer (term ends January 2013)*
- DANIEL L. BUCHE, *Director (term ends January 2014)*
- ROLAND HENDRICKS, *Director (term ends January 2012)*

AGENDA

Call to Order

Determination of Quorum

Invocation

Approval of Minutes

Reports

Chairman

Treasurer

Audit Committee

President/CEO

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, 2010. Based on the audit, Doeren Mayhew rendered an unqualified opinion on the financial statements as of December 31, 2010.

The audit report as of December 31, 2011, will be completed in the second quarter of 2012. The Audit Committee commends the entire TDECU staff and volunteers for serving the membership and making 2011 a successful year despite the challenging economic climate.

Roland K. Hendricks

ROLAND K. HENDRICKS, *Audit Committee Chairman*

REPORT FROM THE TREASURER



In 2011, TDECU members received \$161,023,388 in mortgage loans, \$278,671,021 in auto loans (of which \$165,585,205 were made through dealerships), and \$22,002,969 in indirect loans and merchant lending. As one of the largest credit unions in Texas and the nation, TDECU assets grew to \$1,842,121,552 in 2011.

TDECU – Your Credit Union ended the year with a net income of \$13,235,677. Once again, our net income was impacted by the \$3.04 million NCUA insurance assessment in 2011. The NCUA insurance assessments began in 2009 and will continue for the next

9 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.

Ed Zingleman

ED ZINGLEMAN, *Treasurer*

CREDIT UNION OFFICERS

- EDWARD SPEED, *President & Chief Executive Officer*
- STEPHANIE SHERRODD, *Executive Vice President & Chief Operating Officer*
- RHONDA KLEINECKE, *Senior Vice President & Chief Financial Officer*
- ROBERT LOCKETT, *Senior Vice President, Business Services*
- STEVE STEVENS, *Senior Vice President & Chief Information Officer*
- TIMOTHY BELTON, *President, TDECU Holdings, LLC*



OUR PROMISE

Working in harmony with you, we promise to enhance your life by delivering the best banking, insurance, investment and realty services, thus forming A More Perfect Union.



FEDERALLY INSURED BY NCUA.



TDECU INSURANCE AGENCY, LLC



TDECU REAL ESTATE, LLC



Century Oaks Title, LLC

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)*

As of December 31, 2011

EARNING ASSETS

Total Loans, Net of Allowance	\$1,507,851,026
Total Investments	257,571,496
Total Earning Assets	1,765,422,522

OTHER ASSETS

Land, Premises & Equipment	35,203,370
Accounts Receivable	17,790,486
National Credit Union Share Insurance Fund Deposit	13,457,880
Miscellaneous Other Assets	10,247,294
Total Other Assets	76,699,030

TOTAL ASSETS	\$1,842,121,552
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LIABILITIES

Total Members' Shares	1,508,833,506
Other Liabilities	22,428,894
Borrowings	165,313,825

EQUITY

Retained Earnings (Capital/Member Equity)	145,545,327
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TOTAL LIABILITIES AND EQUITY	\$1,842,121,552
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CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)*

For the year ending December 31, 2011

INTEREST INCOME

Loans to Members	97,663,632
Investments and Cash Equivalents	386,701
Total Interest Income	98,050,333

INTEREST EXPENSE

Members' Dividends	13,533,684
Borrowed Funds	4,565,195
Total Interest Expense	18,098,879
Net Interest Income	79,951,454

PROVISION FOR LOAN LOSSES

Net Interest Income After Provision for Loan Losses	24,426,948
	55,524,506

NON-INTEREST INCOME

Fee Income	17,561,299
Other	16,300,035
Total Non-Interest Income	33,861,334

NON-INTEREST EXPENSE

Operating Expenses	72,684,025
NCUA Assessment/Impairments	3,044,732
Non-Operating Income	421,406
Total Non-Interest Expense	76,150,163

NET INCOME	\$13,235,677
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*Detailed audited Financial Statements with Report of Independent Auditors for the fiscal year ended December 31, 2010, and monthly interim unaudited Financial Statements are available for members at each TDECU branch office.

TDECU Insurance Agency, TDECU Insurance Agency, LLC is a wholly-owned subsidiary of Texas Dow Employees Credit Union. TDECU Insurance Agency, LLC and Texas Dow Employees Credit Union are not affiliates of the insurance companies represented. Insurance products are not deposits, not NCUA insured, and not guaranteed by TDECU Insurance Agency, LLC or Texas Dow Employees Credit Union. TDECU Wealth Advisors: Securities offered through LPL Financial, member FINRA/SIPC. Insurance products may be offered through LPL Financial or its licensed affiliates. The investments products sold through LPL Financial are not insured TDECU deposits and are not NCUA insured. These products are not obligations of TDECU and are not endorsed, recommended or guaranteed by TDECU or any government agency. The value of the investment may fluctuate, the return on the investment is not guaranteed, and loss of principal is possible. TDECU and TDECU Wealth Advisors, LLC are not registered broker/dealers and are not affiliated with LPL Financial. TDECU Real Estate: TDECU Real Estate, LLC is wholly owned by TDECU - Your Credit Union.

NO PURCHASE OR TRANSACTION NECESSARY. Void where prohibited. Open to legal residents of Texas 18 years or older who are either TDECU members or eligible for membership. Bluebonnet Credit Union and San Jacinto Area Credit Union accounts are not eligible for automatic entry. See your local TDECU branch or visit TDECU.org for Official Rules. Sweepstakes ends 3/31/12. Federally insured by NCUA. C0112-785

