Building a solid foundation of service...

Celebrating over 51 years of service and dedication, TDECU has proven itself to be a financial services leader within the community and the region. TDECU has grown from a small group of members and volunteers housed in a rented corner of an insurance agency into a full-service financial institution with multiple branches, products, and services.

Today, TDECU delivers a wide range of products and services to over 90,000 members through our 11 branches, hundreds of service center locations, and thousands of surcharge-free ATM locations. Throughout 2005, we continued to build upon the many aspects of service delivery to you... such as, expanded hours of member service, improved products, and new services. We continued to enhance our relationships with our members through dedicated employee training and service programs. In addition, TDECU continued to develop community relations and construct more branches to fully serve all of our membership.

Above all else... we at TDECU believe that true customer service is built around you, the appreciated and valued member.

Board of Directors

Your TDECU Volunteer Board of Directors are (front row, seated l-r): David Ozuna, Marcus Stephenson, Mike Tracy, (middle row, seated l-r): Ed Zingleman, Peggy Miltenberger, Ed Bright, (back row, standing l-r) George Hornback, Jr., Dick Smith, and (not pictured) Jim Demland.

Branch Locations and Information

Lake Jackson, Main Branch
1001 FM 2004
Lake Jackson, TX 77566-4012

Angleton
2900 North Velasco
Angleton, TX 77515-2527

Brazoria
19918 State Hwy. 36
Brazoria, TX 77422-9347

Cuero
104 East French St.
Cuero, TX 77954-2802

Houston
10952 Westheimer Rd.
Houston, TX 77042-3204

La Porte, Plant Office
(access limited to Dow Chemical employees only)
550 Battleground Rd.
La Porte, TX 77571-9768

North Seadrift, Plant Office
(access limited to Dow Chemical employees only)
7501 State Hwy. 185
North Seadrift, TX 77983

Texas City
2800 Texas Ave.
Texas City, TX 77590-8260

Victoria
1401 East Mockingbird Ln.
Victoria, TX 77904-2142

Victoria Mall
7800 North Navarro St., Suite 387
Victoria, TX 77904-2629

TDECU Information
(979) 297-1154
(800) 839-1154

E.T. Telephone Account Access
(979) 297-0420
(800) 839-0420

Website
www.tdecu.org

TDECU Your Credit Union

NCUA Federally insured by NCUA up to $100,000

EQUAL HOUSING LENDER
We do business in accordance with the Federal Fair Housing Law & Equal Credit Opportunity Act.

TDECU14125-INA1105-1.5K

building a solid FOUNDATION of service

TDECU Your Credit Union

Annual Report 2005

Agenda

Call to Order

Determination of Quorum

Invocation

Approval of Minutes

Reports
Chairman
Audit Committee
Treasurer

Board Election Results
presented by Doeren Mayhew Certified Public Accountants

Door Prizes
(must be present to win)

Adjournment
Refreshments in the Plaza Room

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

letter from the Chairman

GREETINGS TO ALL
Once again we gather for the review of the yearly progress for our mutually owned credit union. And after 51 years of operations, we are able to report that once again we finished the year with outstanding results, both financially and with improved member service. To add to our otherwise illustrious history of operations—2005 has brought us to new heights of financial stability and greatly improved access to expanded savings and loan products. TDECU also continued construction upon an existing history of a retail delivery culture that places members first and foremost... thus, building a solid foundation of service.

We continued to experience strong financial successes as the result of the performance of our branches in Brazoria County, Galveston County, Houston, and the Texas Crossroads market. Part of TDECU's financial success is due to the credit union maintaining its number one lender ranking in these combined markets. All of these loans are to help members like yourself make personal dreams a reality, whether that dream is buying a first home, paying for college, establishing a small business, or taking that much needed vacation. In addition, TDECU's member service has been enhanced by extending lobby, drive-thru, and call center hours and also by the opening of full-service branches in the Victoria Mall and the newly constructed branch in the city of Brazoria.

To keep up with this unusual growth, it has become evident to management and the Board that a full measure of motivated, well trained, service orientated TDECU staff is required. To assist in meeting this challenge, an ongoing comprehensive Teller and Financial Service Representative (FSR) core competency-training program has been put in place. This training is conducted in an especially constructed on-site facility with a full "mock-up" version of Teller and FSR workstations. This allows the employee being trained to experience working conditions within a live work environment. In addition to the extensive technical training, TDECU employees are provided the opportunity to develop human relation skills through the completion of the company sponsored REAL Service Commitments training program. The combination of our staff's increased technical abilities and elevated customer service attitude provides TDECU members with the finest financial service available.

In addition to those who continue to turn to TDECU for valued financial products, this year has brought to our "door-step" a new emerging member... the Business Member. For the first time in the history of our credit union, we have the opportunity to provide a full range of business services to our members who own and operate small businesses. This extension of financial services to our membership allows consolidation of their family and business activities within a financial network that can meet all financial needs in the most effective manner.

Having stated all this and knowing full well that I have not described many other accomplishments that have assisted in making 2005 a huge success, I must once again emphasize that the single most important element in TDECU's delivery of financial products is MEMBER SERVICE. No matter how technical or complicated an operating issue may become, the Board and staff will always measure the credit union's success by how well these actions truly serve the membership.

Please be assured that your Board and staff will continue with a team dedication in making TDECU a service-friendly financial institution that will make you proud to be a member.

Marcus Stephenson, Chairman

report from the Audit Committee

The Audit Committee of TDECU acts as your independent representative to ensure the financial condition of the credit union is sound. The committee also has responsibilities for monitoring compliance with corporate policies and operating procedures. To carry out these responsibilities, both external and internal audits are performed throughout the year. The examination and audits help to ensure that an adequate system of internal control exists, corporate policies and procedures are followed, and the credit union is in compliance with applicable laws and regulations.

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 to audit the financial statements. Doeren Mayhew is one of the 40th largest C.P.A. firms in the United States and has a staff of financial institution audit professionals who are experienced in the credit union industry. Doeren Mayhew performed the financial audit as of March 31, 2005. Based on their audit, Doeren Mayhew rendered an unqualified opinion on the financial statements as of March 31, 2005 (statements not included in this report). The Audit Committee commends the entire TDECU staff and volunteers for serving the membership and for making 2005 a successful year.

report from the Treasurer

Your credit union is proud to report another year of outstanding success. The credit union's total assets grew to $952.9 million, making TDECU one of the 10 largest credit unions in the state of Texas. Our asset base grew by 12% this year and we expect total assets to surpass $1 billion in 2006. Continued financial success allows TDECU to offer competitive savings and loan rates, in addition to the superior service you have come to expect from your credit union.

TDECU ended 2005 with a net income of more than $7.1 million, 21% higher than in 2004. This substantial increase in net income was due, in part, to loan growth of 27%. Members received more than $161 million in new loan dollars in 2005. And in addition, as the result of TDECU's successful lending strategy, loan delinquency remains low for an institution of our size.

We also continued to maintain a well-balanced portfolio of real estate loans, vehicle loans and other types of loans. While making loans available to the membership is one of TDECU's strengths, the credit union was also able to provide higher dividends as the result of our financial success. TDECU provided more than $12.5 million in member dividends for 2005, a 9% increase over 2004.

It is my pleasure to report that your credit union is financially strong and sound. Based on our continued track record of substantial growth, I am confident that 2006 will bring further financial success.

Ed Zingleman, Audit Committee Chairman & Assistant Treasurer

Texas Dow Employees Credit Union

Consolidated Statements of Financial Condition (Unaudited)*

As of December 31	2005	2004	2003
Earning Assets			
Total Loans	$752,703,412	$591,366,032	$468,840,680
Total Investments	176,159,762	244,979,791	277,269,796
Total Earning Assets	928,863,174	836,345,823	746,110,476
Other Assets			
Allowance for Loan Losses & Net Origination Fees	903,101	(2,005,387)	(3,409,985)
Land, Premises & Equipment	11,312,369	7,842,779	6,359,900
Accounts Receivable	4,187,322	3,462,423	3,004,335
National Credit Union Share Insurance Fund Deposit	4,961,060	5,036,975	4,277,067
Miscellaneous Other Assets	2,662,083	2,609,070	1,624,222
Total Other Assets	24,025,935	16,945,860	11,855,539
Total Assets	$952,889,109	$853,291,683	$757,966,015
Liabilities			
Total Members' Shares	768,344,657	$762,161,835	$673,918,366
Other Liabilities	6,917,522	4,487,685	7,422,632
Borrowings	84,152,396	0	0
Equity			
Retained Earnings	93,474,534	86,642,163	76,625,017
Total Liabilities and Equity	$952,889,109	$853,291,683	$757,966,015

Consolidated Statements of Income (Unaudited)*

For the years ending December 31	2005	2004	2003
Interest Income			
Loans to Members	$ 38,589,208	$ 32,905,658	$ 29,114,578
Investments and Cash Equivalents	5,012,218	5,497,694	5,880,855
Total Interest Income	43,601,426	38,403,352	34,995,433
Interest Expense			
Members' Dividends	12,577,196	11,550,354	13,047,933
Special Payment to Members	2,100,188	1,682,422	2,682,815
Borrowed Funds	1,256,530	0	0
Total Interest Expense	15,933,914	13,232,776	15,730,748
Net Interest Income	27,667,512	25,170,576	19,264,685
Provision for Loan Losses	5,103,763	3,620,675	2,687,847
Net Interest Income After Provision for Loan Losses	22,563,749	21,549,901	16,576,838
Non-Interest Income			
Fee Income	8,379,136	3,941,558	3,020,625
Other	2,337,023	1,861,939	1,553,943
Total Non-Interest Income	10,716,159	5,803,497	4,574,568
Non-Interest Expense			
Operating Expenses	26,140,367	21,447,882	18,740,335
Total Non-Interest Expense	26,140,367	21,447,882	18,740,335
Net Income	$ 7,139,541	$ 5,905,516	$ 2,411,071

**Detailed audited Financial Statements with Report of Independent Auditors for the fiscal year ended March 31, 2005, and monthly interim unaudited Financial Statements are available for members at each TDECU branch office.*