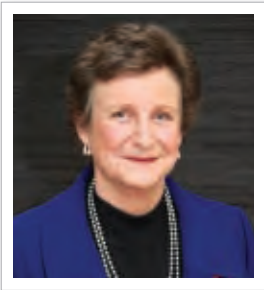






## Message from Barbara Kamm

### President/CEO



**As we sat down to consider how to encapsulate all we accomplished in 2011, the idea of diversification was one we kept coming back to.** Why diversification? We put a lot of energy this past year into making it more convenient for our members to get the financial products they want and need from Tech CU without having to maintain multiple banking arrangements elsewhere. We also worked on diversifying our core business in order to mitigate risk and ensure the safety and soundness of Tech CU for many years to come. In previous years, we had most of our assets in Retail Banking—consumer and real estate. By diversifying into Business Banking and expanding our Wealth Management capabilities, we can face this unsettled economy knowing that we are not heavily concentrated in one product class or reliant on that category for success. Ultimately, we believe that this strategy has improved our service by providing more of a “one-stop” banking experience.

And, our strategy appears to be working. We were able to actively make new loans while maintaining strong credit quality, and we continued to experience core deposit growth—a reflection of the strength of our name and the level of trust we have developed with our members over the years.

To help us execute on our strategy of diversification, we welcomed a new member of the management team, Joe Anzalone, who joined us in October as Chief Banking Officer to lead our efforts in serving the marketplace. Joe’s many years of financial service experience here in Silicon Valley—especially in the commercial lending arena—will prove very beneficial to Tech CU as we look to future opportunities for growth. With the help of Marketing and Community Relations, Joe is coordinating the

efforts of our Retail Banking, Business Banking and Wealth Management teams. We also began an organization-wide initiative last year to help our employees serve members even more effectively by enhancing their skills as trusted advisors—thereby creating deeper, longer-lasting relationships.

We remain committed to meeting the consumer needs of our members for deposit accounts, home loans and car loans, and we remain committed to delivering competitive rates and fees. As we pursue diversification, we are encouraged by our growth in Business Banking activity, where we serve small- to medium-size businesses with SBA loans, conventional commercial & industrial loans, and commercial real estate loans; and we were honored to be named a “Preferred Lender” for Small Business Administration (SBA) guaranteed loans. We also finance our members’ multi-family and commercial properties.

In Wealth Management, we expanded our capabilities by completing the transition to PrimeVest Financial Services, our new broker-dealer. This partnership allows us to offer our members a more robust set of investment and insurance services.

Much of 2011 was devoted to expanding the infrastructure needed to diversify and improve the convenience of banking with Tech CU and to take us to the next level of growth. We’re thrilled that thousands of members are now using smartphones to access our mobile banking application to do everything from performing transfers and sending payments, to finding a branch/ATM location—complete with map and directions. And, the opening of our Palo Alto Financial Center expanded our geographic reach.

We launched our online account opening system and completed the rollout of our image-enabled ATMs at the branches. And, we laid the groundwork for offering person-to-person payments through PayPal and remote deposit capture in 2012. Imagine being able to deposit a check from the comfort of your home or office. Finally, we made improvements to our online consumer banking system and launched a Business Online Banking (“BOB”) platform for our business members.

I am very proud of the staff at Tech CU for stepping up to the many projects and initiatives we worked on this past year. We are making tremendous strides in living up to our name by providing leading-edge technology, deepening our ties to our membership, and strengthening the future of our organization. My thanks also extend to our Board and Supervisory Committee volunteers who serve this organization selflessly and who continue to help me immensely with their wisdom and counsel.

I also appreciate the support of our members over the past year. We do this for them, and we look forward to serving both our current—and future—members in the years ahead.

*Barbara B. Kamm*  
President/CEO

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## Message from Todd Harris

### Chief Financial/Administrative Officer

**The latter part of 2011 witnessed some relief from the economic challenges of the past three years.** Unemployment eased as economic growth (although weak for the full year) was positive. Housing values were more stable, showing intermittent strength in certain markets, but the economic environment remained challenging for financial institutions. In the face of these hurdles, we are pleased to share that Tech CU was again profitable as we improved credit quality, grew assets, and maintained healthy and stable capital ratios.

Tech CU generated \$3.9 million in net income in 2011, compared to \$2.5 million in 2010. The results of both years are modest compared to pre-2008 levels, but reflect a rising trend and reveal how the credit union is adapting to what may be the “new normal” for economic conditions in the foreseeable future. Included in 2011 results was a \$3.2 million assessment charge related to the NCUA’s share insurance funds. These types of charges were not incurred prior to the real estate meltdown and resulting economic downturn which began in 2008. In fact, in the last 25 years, the only other time an assessment was levied prior to 2008, was 1991. Assessment charges in 2010 and 2009 were \$3.1 million and \$1.6 million, respectively.

Tech CU’s credit quality (or loss experience) improved during the course of 2011, requiring less Loan Loss Provision expense. 2011 provision expense was \$6.9 million compared to \$10 million in 2010 and \$24.9 million in 2009. It remains higher than levels incurred prior to 2008, but demonstrates an improving trend. In addition, reportable delinquency, an indicator of potential future losses, improved—decreasing from 1.28% of gross loans at the end of 2010 to 0.54% at the end of 2011. The improvement in credit quality allows revenue that would have otherwise

been diverted to fund provision expense to be used for the benefit of our members—allowing us to offer more favorable interest rates and fees. Moreover, it provides the credit union the ability to grow capital in order to support growth.

Tech CU is pleased with our improving financial performance and the security it allows us to provide our members. In 2011, our members came to us to fund or refinance \$367 million worth of loans. They also expanded their deposit relationships with Tech CU by an additional \$77 million. Total assets grew \$90 million. Our net worth ratio remained over 10%—more than three percentage points above the 7% benchmark the NCUA uses to identify a credit union as well-capitalized (the top rating). Rest assured, Tech CU has sufficient capital and reserves to absorb future uncertainty and remain well-capitalized.

We are also excited about what members can look forward to in 2012. First and foremost, we remain committed to our established risk management activities and to maintaining strong capital levels. We are dedicated to growing our retail platform and to offering the very best mortgage and consumer products. We also plan to continue making significant investments in new products, services and technologies. One of the most exciting enhancements will be our expanded Business Banking services. In addition to increased member benefits, adding business products will allow the credit union to diversify its revenue sources.

Why is revenue diversification important? When a financial institution becomes too heavily concentrated in a single product or product category, it becomes more susceptible to the adverse effects of economic shocks. For instance, if housing prices drop

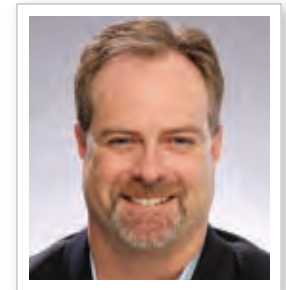
dramatically, mortgage losses may increase, or if gas prices stay high, an institution may experience higher losses on large-engine vehicles. A diversified institution like Tech CU is less susceptible to these kinds of economic shocks because mortgage, consumer and wealth management products are impacted differently by the same event.

Adding Business Banking products will further improve Tech CU’s diversification. This investment in Business Banking and other future services and improvements, puts pressure on net income in the short term. However, we are focusing on the longer term as we strive to grow and adapt to the needs of our membership.

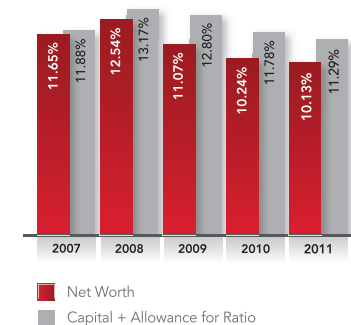
While we continue to expect the economy to present challenges for us in 2012, we are confident in our ability to not only manage risk, but to continue to offer new and exciting products and services—doing so in the safe and sound manner our members expect. We have had a successful 2011 and look forward to an exciting 2012.

#### Todd Harris

Chief Financial/Administrative Officer



#### Our Capital Provides Strength



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## Message from Tom Hall

# Chairman, Supervisory Committee

## Supervisory Committee



James Kohlen; Tom Hall, Chairman; Bob Luong

**Tech CU's Supervisory Committee, made up of volunteer members, independently evaluates the strength and soundness of the Credit Union's operations and activities.**

In 2011, we engaged the independent certified public accounting firm of Moss Adams LLP to replace the internal audit staff. The Vice President, Audit and Risk Management, was given the responsibility of coordinating the internal audit function and working with the Supervisory Committee, the President & CEO, and employees to ensure that the assets are safeguarded by upholding procedures that comply with Generally Accepted Accounting Principles. The Committee also oversees the audit of the financial statements to confirm that they represent a fair and accurate picture of the financial condition of Tech CU.

Based on the independent financial audit of the Credit Union's books and records conducted by Crowe Horwath, the Supervisory Committee affirms that Tech CU is in excellent financial condition. The Department of Financial Institutions and NCUA completed their own supervisory examinations in 2011 and also confirmed that we continue to be financially sound.

Besides ensuring that a financial audit is performed once a year, a key responsibility of the Supervisory Committee is to review the Credit Union's policies and control procedures to affirm that the Credit Union is being managed soundly and that members' assets are being adequately safeguarded. In addition to the annual financial audit, various operational audits are performed throughout the year, resulting in detailed reports to the Supervisory Committee for review and approval.

The Supervisory Committee of Tech CU found that the Credit Union remains a financially healthy and thriving financial institution with solid internal controls. We look forward to another strong year, while keeping a careful eye on the economic environment. Whatever the future holds, Tech CU's first priority will continue to be maintaining the financial health of the Credit Union and providing service and support to its members.

*Tom L. Hall*

Chairman, Supervisory Committee

# Community Relations

## ADVOCACY

Tech CU plays an active role in supporting social and economic policies that protect and enhance the communities in which our members live and work.

## EDUCATION

Tech CU supports organizations that help children excel in STEM (science, technology, engineering, and math).

We also understand the importance of college preparation and financial literacy, and we partner with organizations that educate college-bound students with the skills necessary to successfully manage their personal finances.

## HOUSING

Tech CU supports the efforts of organizations striving to ensure that those who live in Silicon Valley have access to safe and affordable homes.

## SUSTAINABILITY

We encourage environmentally-friendly practices. We strive to provide opportunities for our members to help make our community and world a more ecologically aware place.

## TECHNOLOGY & INNOVATION

The Valley was created by visionaries with big dreams. As a result of their creativity and ingenuity, we now live in the epicenter of emerging innovation and technologies.

We support the change-makers, inventors, designers, and innovators who are dedicated to solving our world's greatest societal challenges.

## YOUTH SERVICES

For our students to succeed in school, basic needs such as food, clothing, shelter, and healthcare must be easily accessible. We support organizations that provide social services to students and families—offering not just what they need to survive, but also what they need to thrive.

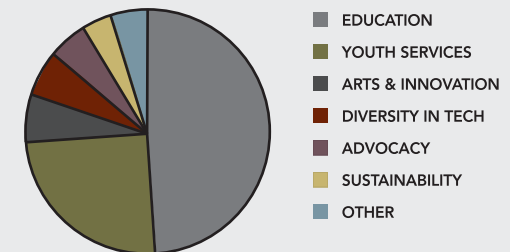
We support programs that provide counseling and opportunities for leadership development as well—further supplementing a student's educational experience and setting them on the path towards success.

## 2011 Results

**Volunteerism is a key component of life at Tech CU.** We stand apart from other organizations by not only welcoming our employees, and their friends and families to participate—but by also opening all volunteer opportunities to our members and their families.

We have donated over 2,400 hours of service to the community since 2007. In 2011, we donated over 825 hours of community service. Over 20% of our employees volunteer in the community on a regular basis. Nearly 10% of our employees currently serve on non-profit boards or committees.

In addition to volunteering our time, we also donate funds, in-kind goods and pro-bono services. Since 2007, we have donated over \$270,000 to the community in grants, community sponsorships, in-kind goods, and volunteer hours. In 2011, we donated over \$130,745.



ADVOCACY	EDUCATION	HOUSING	SUSTAINABILITY	TECHNOLOGY/ INNOVATION	YOUTH SERVICES
Silicon Valley Leadership Group	Silicon Valley Education Foundation	Habitat for Humanity	Bay Area Climate Collaborative	Tech Museum's Annual Tech Challenge	Bill Wilson Center
San Jose Chamber of Commerce	Breakthrough Silicon Valley	The Housing Trust		Cisco's Annual High School College & Career Fair	Girls For A Change
	GLOW Foundation	Housing Leadership Council		Maker Faire	Family Giving Tree
	1,000 Hearts for 1,000 Minds Tutoring Initiative			Singularity University Executive Education Scholarship Program	

## Managing Committee



(Front Row, L to R) Joe Anzalone, EVP, Chief Banking Officer; Jeannine Jacobsen, SVP, Human Relations; Barbara Kamm, President/CEO; Jeannie Sugaoka, SVP, Support Services; Todd Harris, EVP, Chief Financial/Administrative Officer (Back Row, L to R) Leslie Jeffries, SVP, Information Technology; Herman White, SVP, Corporate Banking; Debra Bowman, SVP, Retail Banking; Al Cadman, EVP, Chief Credit Officer; Rebecca Nelson, SVP, Wealth Management; Mike Luckin, SVP, Enterprise Risk Management; Angie Hernandez, SVP, Credit Administration

## Board of Directors



*(Front Row, L to R) Barbara Kamm, CEO & Secretary/Treasurer; Mical Atz Brenzel, Chairman (Back Row, L to R) Robert E. Bylin; John W. "Jack" Wedgwood; Bob Howard-Anderson; Lloyd Kohn; Peter Donahower, Vice Chairman (Not pictured: John Paul Bruno and Joe Shepela)*

## Statement of Operations

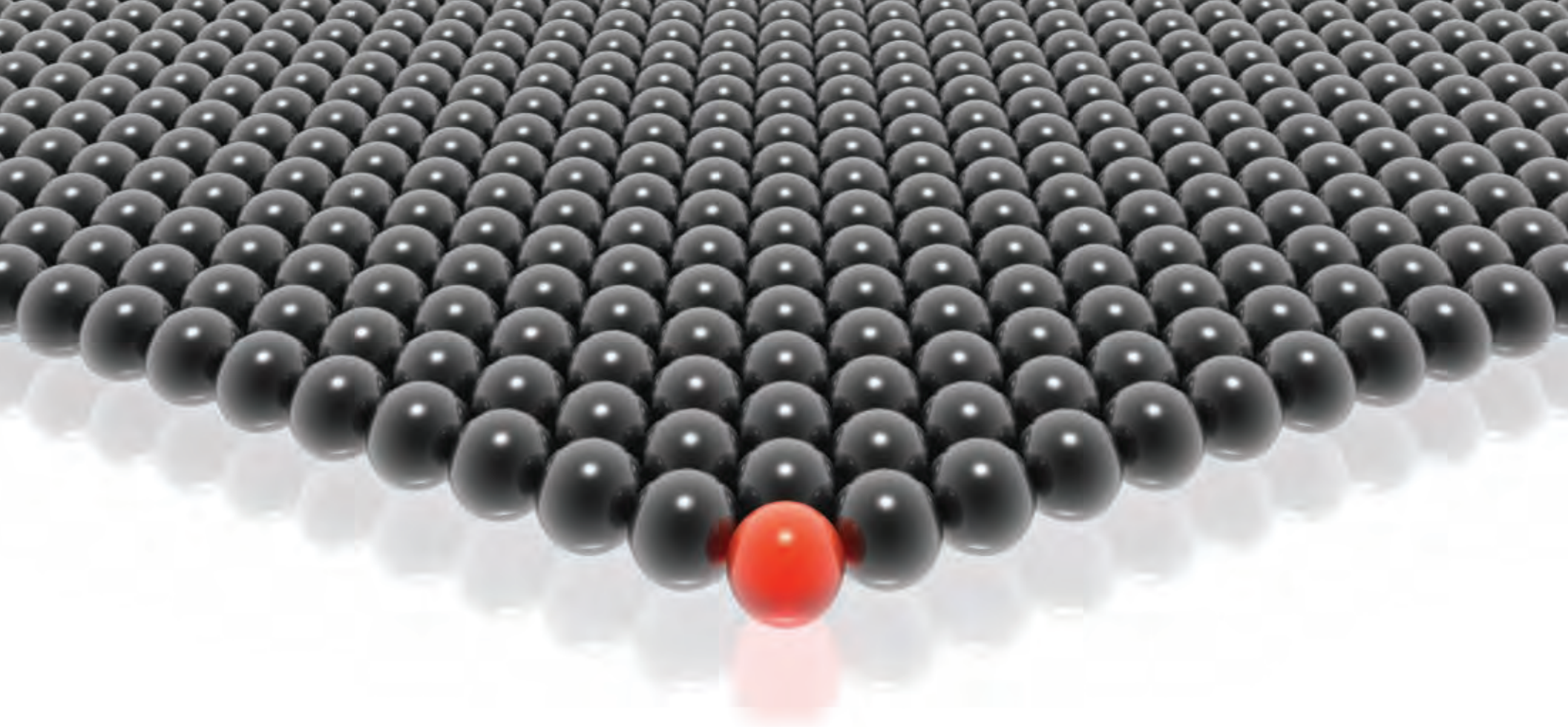
(unaudited)

Statement of Operations	YEAR ENDED				
	2007	2008	2009	2010	2011
Interest on Loans	\$60,442	\$60,472	\$53,442	\$48,055	\$43,090
Interest on Investments	\$9,898	\$3,478	\$1,017	\$3,205	\$8,650
Total Interest Income	\$70,340	\$63,950	\$54,459	\$51,260	\$51,740
Dividends and Interest Paid	\$30,350	\$19,826	\$11,724	\$7,696	\$5,388
Net Interest Income	\$39,990	\$44,124	\$42,735	\$43,564	\$46,352
Provision for Loan Losses	\$2,084	\$9,815	\$24,917	\$10,003	\$6,879
Net Interest Income After Provision For Loan Losses	\$37,906	\$34,309	\$17,818	\$33,561	\$39,473
Non-interest Income	\$8,592	\$9,236	\$10,618	\$10,291	\$10,221
Operating Expenses and Non-Operating Expenses	\$38,476	\$46,731	\$37,446	\$41,342	\$45,828
<b>Net Earnings</b>	<b>\$8,022</b>	<b>(\$3,186)</b>	<b>(\$9,010)</b>	<b>\$2,510</b>	<b>\$3,866</b>

## Statement of Financial Condition

(unaudited)

Statement of Financial Condition	YEAR ENDED				
	2007	2008	2009	2010	2011
<b>ASSETS:</b>					
Cash	\$16,595	\$15,464	\$12,462	\$12,321	\$9,384
Investments	\$235,227	\$114,692	\$290,946	\$482,525	\$620,471
Loans to Members, Net	\$1,081,877	\$1,080,060	\$989,619	\$925,826	\$884,800
Premises and Equipment	\$21,005	\$23,664	\$21,590	\$22,006	\$20,952
Other Assets	\$18,668	\$16,918	\$20,758	\$26,084	\$23,658
<b>Total Assets</b>	<b>\$1,373,372</b>	<b>\$1,250,798</b>	<b>\$1,335,375</b>	<b>\$1,468,762</b>	<b>\$1,559,265</b>
<b>LIABILITIES, MEMBER DEPOSITS, AND RESERVES:</b>					
Dividends Payable	\$6,653	\$2,581	\$356	\$208	\$140
Accounts Payable	\$8,433	\$8,240	\$8,201	\$7,744	\$6,936
Notes Payable	0	0	0	0	0
Member Deposits	\$1,198,193	\$1,083,070	\$1,178,921	\$1,314,444	\$1,391,496
Total Equity	\$160,093	\$156,907	\$147,897	\$146,366	\$160,693
<b>Total Liabilities, Member Deposits, and Reserves</b>	<b>\$1,373,372</b>	<b>\$1,250,798</b>	<b>\$1,335,375</b>	<b>\$1,468,762</b>	<b>\$1,559,265</b>



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