

50th
ANNIVERSARY
1960-2010



2009

Technology Credit Union Annual Report

A Tale of Two Companies

Anniversaries are a time for reflection, and we look back on Technology Credit Union's past 50 years with a strong sense of pride and accomplishment. Our beginnings were simple and our successes were steady. And the reason we are here today to celebrate this critical milestone is because of Fairchild Semiconductor, a company whose dynamic entrepreneurial spirit brought us into being.

In the late 1950s, America's post-war economy was booming. Jobs were plentiful, new homes were sprouting up everywhere, and the interstate highway system was connecting small towns with big cities. In 1957, eight forward-thinking scientists left Shockley Semiconductor in Palo Alto, California, to start their own venture to develop a method of mass-producing silicon transistors. Sherman Mills Fairchild, founder of Fairchild Camera and Instrument Corp., recognized the promise of this new technology and provided the funding to start the new company which took the name Fairchild Semiconductor. His infusion of capital combined with their unbridled ingenuity resulted in the creation of a company that was one of the first to ignite the technology revolution.

The 1960s saw tremendous change take place in our country. Starting with the election of the youthful John F. Kennedy in November of 1960, by the end of this tumultuous decade, the British Invasion had transformed the music scene, clothing and hair styles were completely different and men walked on the moon. Before any of that came to fruition, however, a group of enterprising Fairchild employees assembled in the cafeteria and decided to organize the Fairchild Semiconductor Federal Credit Union on May 27, 1960. At the end of its first year, the credit union had grown to 600 members with \$65,000 in assets. And by 1965, membership had quadrupled and deposits had reached the \$1 million mark, prompting the need to hire the first General Manager, Robert Maydeck.

During the 1970s, the upheaval continued both culturally and politically, as our country witnessed the resignation of President Richard Nixon, the Vietnam War came to an end, and oil embargoes and the resulting lines at gas pumps were signs indicating that America was increasingly part of a global society. Like the country itself, Fairchild Semiconductor Federal Credit Union continued to grow and change. With a merger in 1975, the

credit union's membership base broadened, and a new name, Fairchild/Electronics Federal Credit Union paved the way to allow employees from other technology companies to join. Continuing its evolution to becoming a full-service financial institution, the credit union offered its first checking account (known as a share draft) in 1976. In 1977, Ron Martin came aboard as the new General Manager, a position he held until 1995.

Thanks to the seminal work of Fairchild Semiconductor, Silicon Valley became a veritable boomtown in the 1980s. Apple Computer unveiled the Macintosh while IBM introduced the term PC into the lexicon. Tech CU kept pace by upgrading our technology with a new state-of-the-art Summit computer system in 1982. Recognizing the credit union's exciting potential for growth, the name was changed to Technology Federal Credit Union in 1983, and efforts began in earnest to expand the membership base with employees from other technology companies. The hard work paid off, and within a year, we had grown significantly in new members and loans and we'd reached \$50 million in assets. Other accomplishments in 1984 included offering our Cash Commander ATM card and extending credit through a new Visa credit card. In 1987, the credit union further increased in size as a result of the merger with EAC (Electronics Association of California) Federal Credit Union.

Cell phones, the birth of the Internet, and compact discs proved to be the bright spots of the 1990s. Unfortunately, this decade was also clouded by the savings and loan crisis, a sagging real estate market, and like today, a harsh recession. Despite the tumultuous times, Technology Federal Credit Union was able to continue growing and prospering as its member-owners took advantage of the value offered by a financial service provider that made their needs a top priority. The credit union moved to its current headquarters on 2010 North First Street in San Jose in 1991 and with the departure of long-time president Ron Martin in 1995, Kenneth D. Burns came on board that year as the credit union's new leader. As the millennium approached, tough bank-sponsored litigation aimed at credit unions spurred the decision to exchange our federal charter for a less restrictive State of California charter. In 1998, we changed our name again to Technology Credit Union and with it came the ability to extend membership to employees of technology companies throughout the state.

A large, elegant, gold-colored graphic of the number '50' followed by 'th' in a script font, positioned in the upper left quadrant of the page.

As we entered the 21st century, Technology Credit Union achieved another major milestone in 2002 by reaching the \$1 billion dollar mark in assets. In the early part of the decade, two new divisions were formed—Financial and Insurance Services, a wholly-owned subsidiary that allowed the credit union to offer investment and insurance services to members—and Private Banking, designed to provide an unparalleled level of personal service to members with significant relationships. These two divisions are the foundation of what will become our new Wealth Management division later this year. And with the burst of the internet bubble in the early 2000s and its impact on employment in the technology sector, the decision was made in 2004 to expand our charter to extend membership to individuals living in six Bay Area counties.

As we celebrate our 50th Anniversary in 2010, and look back at 2009—one thing is clear. Like Fairchild Semiconductor, which continues to make its mark today as a global leader in the design of high-performance, innovative, and energy-efficient products, we too must continue to think innovatively, focus on key priorities and seek new and better ways to serve the evolving needs of our membership. We look forward to meeting that challenge throughout 2010 and beyond.



Message from the Chairman



Most Americans would agree that 2009 is a year that will long be remembered as one of the toughest and most challenging periods in decades, due to the severe economic conditions our country experienced. Financial institutions in particular struggled, as mortgage portfolios were adversely affected. This was due to the significant loss of value experienced in the housing market and the dramatic spike in foreclosures that resulted from an increasing number of workers who lost their jobs—especially here in Silicon Valley, where the unemployment figure topped 11 percent at year-end.

And while Tech CU did not emerge unscathed from the problems facing financial institutions in 2009, I am pleased to report that overall, we ended the year with a number of noteworthy accomplishments.

First and foremost, we retained our exceptionally high level of capital that acts as a protective shield to help cushion us during tough economic times such as these—as of December, it stood at 12.8 percent, a true testament to the prudent underwriting guidelines we've consistently followed and conscientious cost containment practices maintained by Tech CU's management team. This key source of financial strength is one of the main reasons we will be able to take some important steps during 2010 to reinvest in Tech CU and its members. Other milestones achieved during the year included increasing our deposits by over \$95 million from the previous year—representing nearly 9 percent growth—and what's important is that this growth occurred in core deposits, which

are less prone to run-off during periods of interest rate volatility. We also originated \$172 million in first mortgage loans during 2009—signaling that even in hard times, our members recognized the value in service and expertise provided by Tech CU's experienced mortgage team.

And speaking of member satisfaction, I'm very happy to report that Tech CU scored an impressive 97 percent **total satisfaction** rating from our monthly surveys in 2009, and a **very satisfied** rating of 63 percent—with both of these scores exceeding our goals. In today's highly competitive and commoditized financial services market, what sets an institution apart from its competitors is the engagement and loyalty of its customers. While this is an area in which we are constantly striving to improve, we are very appreciative that members are responsive to our surveys and that overall, they indicate they're satisfied with the service Tech CU provides.

The credit union also underwent a significant change in 2009 with the departure of its long-time President and CEO, Kenneth Burns, who left after 14 years at Tech CU's helm. The Board of Directors retained an executive search firm, and by the end of the year, made the decision to bring Barbara B. Kamm on board as our new President and CEO. Barbara brings with her an extensive level of experience in the banking arena, and we're fortunate to have someone with her depth and breadth of expertise to help lead Tech CU forward.

Last, but not least I want to note that 2010 represents Tech CU's golden anniversary. It was in May of 1960

that employees of Fairchild Semiconductor took the important step of forming a credit union to help their fellow employees better their financial lives. It is with a great deal of pride that the Board looks back on Tech CU's rich legacy and close affiliation with one of the original pioneers of Silicon Valley, and at the same time, prepares for the development of a new vision that will successfully launch us into our next fifty years. Tech CU is in the process of refining a new strategic vision and plan, refocusing the credit union on the community that originally created us—the technology industry. We intend to go back to our roots, and in doing so, identify how best to serve our original membership base—technology employees and their families, along with those from the knowledge-based ecosystem that supports the technology industry. We will be making some important changes in our organizational structure, our products, and the way in which we deliver products and services to accomplish this objective.

On behalf of the Board of Directors, I sincerely thank you for your membership in Technology Credit Union, and I invite you to be part of our exciting ride **back to the future!**

Mical Atz Brenzel
Chairman, Board of Directors

Message from the President/CEO

Focus



2009 was a year of change and growth for Technology Credit Union. With the departure of long-time CEO Ken Burns in May, I'd like to recognize EVP/CFO Steven Fisher for stepping in and serving as interim CEO through the end of the year. As with previous years, the management team did an excellent job maintaining a strong ratio of capital to assets, one of the highest in the country at 12.8%. Due to our competitive mortgage rates, we experienced strong growth in our mortgage loan portfolio in the first half of the year, and our overall deposits increased by 8.9%. Deposit growth was due primarily to our popular Money Market Plus account, a portfolio that grew by over \$200 million during the year.

Our Business Banking division continued to make strides in establishing strong relationships with small business owners, opening several hundred new accounts in 2009—and business deposits grew by 17%. Strategic partnerships are a key component in our ability to offer a full spectrum of services to our business members. In 2009, we partnered with Access Growth, a global growth and consulting firm, to offer critical support to members with start up/early stage technology companies.

Our Private Banking team also did an outstanding job in 2009, providing exemplary service to our members, with the result being a net increase in deposits from the previous year of 7%, and an overall satisfaction rating of 97%. Given the success of the Private Banking Division, we launched a new Personal Banking program, designed to offer a similarly high level of service to selected members through a dedicated consultant at a branch. This program was successfully rolled out in January of 2010.

As a result of the severe economic environment and its squeeze on earnings, management maintained a concentrated focus on expense control. I'm pleased to report that we exceeded our cost savings goal by \$4.4 million. Another critical area in which the team excelled was in the management of our loan delinquency. While our loan portfolio was impacted by the decline in home values and high unemployment, we ended the year with a delinquency ratio below most of our peer group of credit unions—another indicator of our financial safety and soundness.



(1960) Employee representatives meet with the California Credit Union League to discuss the possibility of instituting a credit union at Fairchild Semiconductor.

But numbers don't tell the whole story of Tech CU's performance in 2009. As a local financial institution with 50 years of experience serving the technology community, we recognize the importance of staying at the forefront in terms of technological change. As one of only a handful of credit unions in the nation to develop an iPhone application for its members in 2009, Tech CU reinforced its image as an innovator in financial services, and we'll continue our work in this area to meet the online, mobile and remote banking needs of our members. To keep the spirit of innovation flourishing internally, an Innovation Committee was created to encourage employees to work on projects designed to foster innovation. Completed projects in 2009 include the launch of eFax for documents and the creation of eWaste Day, during which our members could bring their old electronic equipment to Tech CU for recycling. And speaking of keeping up with the times, early on, we recognized the growing importance of social media in terms of communicating both with our membership and prospective members. We created a Twitter Channel in 2009, upgraded our Facebook profile and launched a second blog, ***Grow Your Green***, an online community dedicated to helping participants save money.

Another notable change that occurred during the year was the decision to bring on a new credit card partner. We ended our relationship with FIA Card Services (owned by Bank of America) and after an extensive search, selected First National Bank of Omaha (FNBO) to provide consumer and business cards to our members. As one of the oldest and largest credit card issuers in the country, FNBO enjoys a reputation for providing quality products and superior service to its partners. Since the launch of this partnership in November of 2009, we've seen steady growth in the number of our members choosing this new credit card.

We also understand the value in participating in our local communities, and during 2009, our staff volunteered over 367 hours of their time and donated over \$13,000 to help our two non-profit partners, **The Bill Wilson Center** and **Sacred Heart Community Services**. In addition, many of our branch staff volunteered their time to provide financial education classes to schools in their community to help kids begin to understand key concepts in money management.

While 2009 was certainly a challenging year for the country and our credit union, the hard work and dedication of the staff made this a year of many accomplishments. Tech CU was established 50 years ago to serve the employees of Fairchild Semiconductor, a company that truly represents the history and innovation of Silicon Valley. I'm excited to announce that as part of our celebration of this milestone, we will be launching a new strategic vision later this year that I'm confident will be the foundation for the next phase of Technology Credit Union's growth and success. I thank you for your support as a member, and I invite you to participate in the next phase of our journey.

Barbara B. Kamm
President / CEO



*Message from the Chief
Financial Officer/
Executive Vice President*

Strength

In spite of the extremely challenging economy, Tech CU maintained a solid financial performance in several key areas during 2009, particularly in deposit growth, which saw an increase of nearly 9% and which grew our assets to over \$1.3 billion by year-end. We ended the year with a very strong capital to assets ratio of 12.8%, indicating that Tech CU has built a robust financial cushion that positions us well in this difficult operating environment.

While we originated \$172 million in new mortgage loans during the year, due to sales of fixed-rate mortgages to mitigate interest rate risk, and runoff in the auto loan portfolio because of the steep drop in auto sales, we saw an overall decrease in our net loan portfolio.

Given the severe economic conditions impacting financial institutions at the end of 2008, we had projected that our earnings for 2009 would be negative—and this was exacerbated by the fact that we, along with all credit unions, were required to take a significant charge against earnings to replenish the credit union share insurance fund, which had suffered several large losses. In addition, due to the increasing pressure on our real estate portfolio, we made the prudent decision to significantly increase the amount of money set aside for future losses in our Allowance for Loan Loss account. Without these two areas of extraordinary expense, our return on assets and earnings would have exceeded our 2009 projections.

However, there is good news in that due to our concentrated focus on expense management, we were able to reduce normal operating expenses from the prior year by over \$5 million.

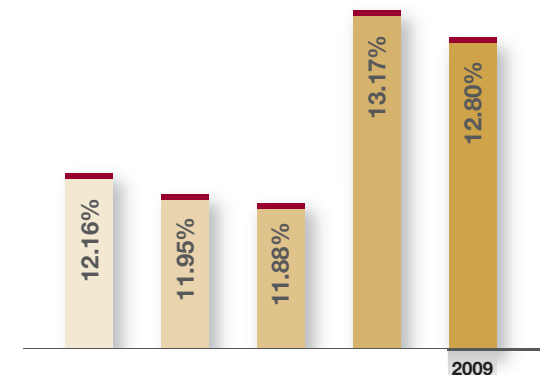
Another key area in which we performed very well was in the management of our delinquent loan portfolio. While our portfolio was affected by the decline in home values, rising foreclosures and high unemployment, due to our diligent work in this area, we were able to maintain a relatively low percent of delinquency, which put us among the top 3 credit unions in our peer group in terms of performance.

While the economic outlook for 2010 is still uncertain, particularly in the area of future mortgage loan losses, many key economic indicators are reflecting that the worst of the recession may be over, and that gradual but meaningful growth is on the way. And with Tech CU's strong capital position, healthy deposit and loan growth and firm commitment to maintaining the safety and soundness of the organization, Tech CU is effectively positioned to ride out the remainder of the recession and chart a strategic path for successful growth in the years to come.

Steven Fisher

Chief Financial Officer/Executive Vice President

Capital-to-Assets Ratio for Tech CU 2005–2009





*Message from the
Supervisory Committee*

Oversight

Technology Credit Union's Supervisory Committee, made up of five volunteer members, independently evaluates the strength and soundness of the credit union's operations and activities. We have delegated the responsibility to the Vice President of Internal Audit to work alongside the Board of Directors, 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 audited financial statements to confirm that they represent a fair and accurate picture of the financial condition of Tech CU.

Based on a number of in-depth external audits of the credit union's operations conducted by McGladrey & Pullen, LLP, outsourced auditors and Tech CU's Internal Auditor, Technology Credit Union is in excellent financial condition. The Department of Financial Institutions and NCUA also completed their own supervisory examination for 2009 and confirmed that we continue to be financially sound.

The primary responsibility of the Supervisory Committee is to oversee all aspects of the credit union to ensure that it is being managed soundly and that members' assets are being adequately safeguarded. The Committee ensures that the

credit union meets required financial reporting objectives and that policies, practices and procedures are established and sufficient to protect members' assets. Various operational audits are also performed throughout the year, resulting in detailed reports to the Supervisory Committee for review and approval.

The Supervisory Committee of Technology Credit Union 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, Technology Credit Union's first priority will continue to be to maintain the financial health of the credit union and provide service and support to its members.

Robert J. Prantis
Chairman, Supervisory Committee



(1962) Newly elected officers of the Board of Directors of the Credit Union are, left to right: Jerry Groux, vice-president; Norma Wyllie, secretary; Niki Cramer, treasurer; and Bill Stansbury, president.

Executive Management Team



*L to R: **Michael Luckin** (Senior Vice President, Delivery Systems), **Steven Fisher** (Chief Financial Officer/Executive Vice President), **Barbara Kamm** (President/CEO), **LeeAnne Giblin** (Senior Vice President, Human Resources), **Harold Roundtree** (Senior Vice President, Member Services), **Leslie Jeffries** (Chief Information Officer).*

Board of Directors



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

Supervisory Committee



*L to R: Tom Hall, Charles F. Dolci, Robert J. Prantis (Chairman).
Not pictured: Bob Luong (Vice Chairman), James Kohnen (Secretary).*

Statement of Operations

(unaudited)

(IN THOUSANDS)	YEAR ENDED				
	2005	2006	2007	2008	2009
Statement of Operations					
Interest on Loans	\$40,296	\$53,664	\$60,442	\$60,472	\$53,442
Interest on Investments	\$7,796	\$8,105	\$9,898	\$3,478	\$1,017
Total Interest Income	\$48,092	\$61,769	\$70,340	\$63,950	\$54,459
Dividends and Interest Paid	\$13,607	\$23,413	\$30,350	\$19,826	\$11,724
Net Interest Income	\$34,485	\$38,357	\$39,989	\$44,124	\$42,735
Provision for Loan Losses	\$(986)	\$419	\$2,084	\$9,815	\$24,917
Net Interest Income After Provision For Loan Losses	\$35,471	\$37,938	\$37,905	\$34,309	\$17,818
Non-interest Income	\$8,654	\$8,086	\$8,439	\$9,236	\$10,618
Operating Expenses and Non-Operating Expenses	\$31,729	\$35,334	\$38,321	\$46,731	\$37,446
Net Earnings	\$12,395	\$10,689	\$8,022	\$(3,186)	\$(9,010)

Statement of Financial Condition

(unaudited)

(IN THOUSANDS)	YEAR ENDED				
	2005	2006	2007	2008	2009
Statement of Financial Condition					
ASSETS:					
Cash	\$14,890	\$18,603	\$16,595	\$15,464	\$12,462
Investments	\$242,018	\$234,880	\$235,227	\$114,692	\$290,946
Loans to Members, Net	\$892,783	\$1,001,599	\$1,081,877	\$1,080,060	\$989,619
Premises and Equipment	\$20,310	\$20,443	\$21,005	\$23,664	\$21,590
Other Assets	\$15,883	\$17,619	\$18,668	\$16,918	\$20,759
Total Assets	\$1,185,884	\$1,293,144	\$1,373,372	\$1,250,798	\$1,335,375
LIABILITIES, MEMBER DEPOSITS, AND RESERVES:					
Dividends Payable	–	\$3,523	\$6,653	\$2,581	356
Accounts Payable	\$7,628	\$9,018	\$8,433	\$8,240	\$8,201
Notes Payable	0	0	0	0	0
Member Deposits	\$1,036,874	\$1,128,531	\$1,198,193	\$1,083,070	\$1,178,921
Total Equity	\$141,382	\$152,071	\$160,093	\$156,907	\$147,897
Total Liabilities, Member Deposits, and Reserves	\$1,185,884	\$1,293,144	\$1,373,372	\$1,250,798	\$1,335,375

*We invite you, our members
to be part of our next 50 years—*

*Happy Anniversary,
Technology Credit Union!*

Tech CU—The future grows here.

COVER PHOTOS:

Front Cover, Left: Members of the “Fairchild Eight”, founders of Fairchild Semiconductor in 1957.

Front Cover, Right: The credit union’s name was changed to Technology Federal Credit Union in 1983.

Back Cover: Tech CU’s current headquarters, located at the corner of North First Street and Brokaw Road in San Jose, CA.



Tech CU TECHNOLOGY
CREDIT UNION

www.techcu.com



Share accounts are federally insured up to \$250,000 by the National Credit Union Administration, a U.S. Government agency. Retirement accounts are federally insured up to \$250,000 by the National Credit Union Administration, a U.S. Government agency.



We do business in accordance with the Federal Fair Housing Law and the Equal Credit Opportunity Act.