Safe. Strong. Secure.

2008

Technology Credit Union Annual Report

Standing **Strong**

As 2007 came to an end, all indicators pointed to a definite economic slowdown in 2008 and we prepared ourselves for a challenging year. However, we didn't know at the start just how challenging the year would turn out to be, as 2008 ended up being one of the worst financial meltdowns in recent history. Consumer confidence, the performance of the stock market and that of many mega-banks, employment and housing values all deteriorated to an extent not seen since the Great Depression of the 1930's. And unfortunately, the problems didn't just remain here in the U.S.—ultimately the devastation spilled over to the rest of the world, resulting in a global recession by year-end.

Yet given the tumultuous financial and economic conditions Americans experienced in 2008, while not unscathed, Tech CU's performance was favorable in several key areas. Tech CU had a very good performance overall for the first quarter, with mortgage loans in particular experiencing strong growth. While this sector slowed down significantly by the summer, we still ended the year with a small net increase of nearly $3 million in total loans. For the first time in many years, we experienced negative deposit growth of over 9%, due mainly to a significant run-off of 6% Certificate accounts acquired in 2007. While we certainly didn't like losing those accounts from a relationship perspective, strategically it was a sound approach for us, as it would have been too great a cost to compete for those volatile deposit dollars in a time when we needed to keep a careful eye on expenses. We added over 7,000 new members during 2008, and ended the year at 77,083, an increase of nearly 2.5%.

While Tech CU initially ended the year with positive annual earnings of nearly $4 million and a positive ROA of .29%, as a result of the takeover of Western Corporate Federal Credit Union (Wescorp) by the NCUA in March of 2009, we were subsequently required to reflect a write-down in 2008 of our investments in that institution. This resulted in a loss in net earnings for the year of $3.1 million. However, it's important to keep in mind that even after recognizing this loss, we still ended 2008 with an exceptionally high capital to assets ratio—over 13%—signifying that we were one of the safest and strongest credit unions in the country. In fact, during the initial aftermath of several large financial institution failures in the 3rd and 4th quarters, we mounted a highly visible and successful public relations campaign. In print and radio advertising, along with several front-page newspaper articles, we promoted the fact that Tech CU had achieved positive earnings every year since its inception in 1960, that our delinquency and charge-off ratios were among the lowest in our industry and that we had built an outstanding level of capital. As a result, we'd received the highest rating possible (5 Stars) by Bauer Financial, the nation's largest independent rating service for financial institutions. In addition, in September, our regulators increased credit union deposit insurance up to $250,000 and we were among the first institutions to aggressively communicate that change to our members through this campaign. We saw an influx in new members and deposits from the visibility we attained as a result of our positive messages during this chaotic time.

But the state of the economy and housing crisis were not the only big stories for Tech CU in 2008. With the Board's approval, our management team made the decision to replace our aging core computer system with a new state-of-the-art core system, scheduled for the fall of 2008. Converting our core system was a massive undertaking that involved significant time and human resources. I'm proud to announce that on September 1, 2008, our hard work paid off, as we converted to our new system with minimal member impact. In hindsight, it turned out to be an excellent decision to take on this huge operational challenge when we did. We anticipate identifying and applying the many improvements available to us through this best-of-breed technology throughout 2009.

Although we essentially were in a 'quiet period' for a good portion of the year as a result of our focus on conversion-related activities, we did introduce several new products in 2008, including Jumbo Conforming and later, High Balance mortgage pricing programs. And in the midst of the drastic run-up in gasoline prices during the summer, we were pleased to introduce our Fuel$mart auto loan. This program gave members the opportunity to discount their loan rate with Tech CU by buying either a hybrid car or a vehicle getting over 30 miles per gallon.

We also achieved a significant breakthrough in member convenience in 2008 with our decision to join the Allpoint ATM network. Allpoint is a nationwide ATM network offering surcharge-free machines in locations convenient to where our members live and shop. These locations include retailers such as Target and Costco, drug stores such as Walgreens and Rite-Aid, Albertson's grocery stores and Exxon gas stations. Combined with our existing CO-OP ATM network (which includes 7-Eleven stores), Tech CU members now have access to over 60,000 surcharge free ATMs nationwide, the largest surcharge-free network in the country!

And while the state of the economy and our increased focus on expense management has put our branch expansion plan on hold for now, in November 2008 we completed the move of our Dublin Financial Center to a location in the newly opened upscale retail development known as The Shops at Tralee. We enjoyed a successful Grand Opening, attended by the mayor of Dublin and we've been pleased to see that branch consistently grow in members, deposits and loans since its opening.

Ultimately, it's the conservative manner in which we've managed Technology Credit Union all these years that has proven to be the life preserver for our credit union during these incredibly turbulent times—our exceptionally strong capital, focus on cost savings and prudent underwriting practices have all served us well. We emerged from 2008 one of the safest and strongest financial institutions in the country, one that is well positioned to weather the continuing tough times ahead.

I thank all our members, Tech CU's hard-working staff and diligent Board of Directors for their support, effort and oversight which has made us the exemplary financial institution we are today, and we are commited to maintaining this strength and soundness for Tech CU and its members in the future.

Kenneth D. Burns
President/CEO

Message from the Chairman

Rock Solid

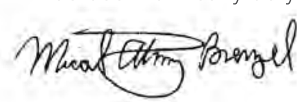
Going into 2008, the Board of Directors was keenly aware that the credit union and its members were in for a rocky ride, as key market and economic data indicated the economy had slid into a recession, and stock and housing market values continued to deteriorate—all of which could have a serious negative impact on Tech CU's asset quality and earnings. Since it is the Board's responsibility to ensure that the credit union's annual objectives and high-level initiatives align with the long-term goals of the strategic plan, the Board approved lower growth targets for 2008 and agreed that maintaining asset quality and capital were our top priorities. Volatility in the financial markets and the economy increased in 2008, but I am pleased to report that despite the severity of the economic crisis, Tech CU's performance was solid. A critical advantage for Tech CU going into the year was the superior level of capital that we have amassed over the years—over 13% of assets—and it is that exceptional degree of capitalization that has kept Tech CU one of the safest and strongest financial institutions in the country.

Throughout 2008, the Board maintained its focus on carefully monitoring the performance of Tech CU's loan portfolio. As the year progressed, with housing values in California eroding rapidly and the nation shaken by the failure and takeover of a number of major financial institutions, this scrutiny became even more important. The Board reviewed several in-depth portfolio analyses of all our mortgage loans and home equity lines of credit, and reviewed the provisions being made for future loan losses. The Board was very satisfied with the scope and detail behind these analyses and the modifications to loan product offerings that resulted from them.

The Board was also pleased with management and staff's continued vigilance in expense control, especially during a year in which a major technology initiative took place—the conversion to a new core operating system. The conversion was executed flawlessly, and Tech CU is now operating on a sound and progressive IT platform. The Board believes that the new core system will serve the credit union and its members efficiently and securely for years to come.

As part of its oversight role, the Board reviewed how Tech CU performed during the year as compared with a peer group consisting of 18 other credit unions of similar asset size against which we have benchmarked ourselves for years. I am happy to report that among this peer group, Tech CU was third in terms of its capital ratio. As capitalization is a key indicator of the safety and soundness of the credit union, the Board is proud of Tech CU's achieving this top peer positioning, particularly during such a challenging period.

As Chairman, it is my pleasure to thank all who have worked so hard during this past year on behalf of Tech CU and its members. My fellow members of the Board, the members of the Supervisory Committee, our President/CEO Ken Burns and his executive management team are all to be commended for their unflagging efforts to maintain a safe and steady course during these turbulent times. As America struggles to regain its economic footing in the months ahead, Tech CU's Board will work diligently to ensure that all necessary actions are taken so that Tech CU remains the safe, strong and secure credit union it has been for nearly 50 years.



Mical Atz Brenzel
Chairman, Board of Directors

Message from the Supervisory Committee

Careful *Watch*

In 2008, the Supervisory Committee retained the independent public accounting firm McGladrey and Pullen to perform the annual audit of Tech CU's operations and financial records in order to assess its financial standing. The firm returned a solid report, finding Tech CU's earnings, liquid assets, capital position, asset quality, and executive management performance were all strong, despite ongoing turbulence in the U.S. economy.

Tech CU can be proud of these findings as they demonstrate the credit union's focus on careful, long-term planning and its steadfast commitment to protecting the safety and soundness of members' assets. Tech CU looks ahead to identify upcoming economic and market changes and prepares well in advance to meet those challenges. As a result, Tech CU remains one of the strongest financial institutions in the nation.

Last year Tech CU also underwent a lengthy conversion process of its core system to a new IT platform with Symitar, a leading provider of core processing solutions for credit unions. The completion of this two-year project in September of 2008 ensures that Tech CU will now be able to effectively respond to evolving market trends and member needs as the flexibility of this new system will expedite our ability to develop new products. Members will also benefit from the security of having their account data reside on a highly secure and progressive IT platform and will enjoy faster, more efficient delivery of service.

Throughout the year, the Supervisory Committee's role is overseeing the risk management of Tech CU's day-to-day operations and financial records. We take this critical role very seriously and will continue to review extensive analyses of Tech CU's lending portfolio, and address any risks in its credit, liquidity, and interest rate standings to ensure that our members' assets are thoroughly protected. Furthermore, our internal audits, which are performed throughout the year, have yielded consistently good results. We are also proud to report that we now have strong, documented internal controls as part of the Sarbanes Oxley (SOX) regulations.

In conclusion, at a time when many in the financial industry are struggling, Tech CU remains safe, strong and secure through its careful and prudent management of risk, resulting in an exceptionally high level of capital of over 13%. We'd like to express our appreciation to the Board of Directors, management team and all Tech CU employees for their hard work and solid results, especially during these difficult times.

Robert J. Prantis

Robert J. Prantis
Chairman, Supervisory Committee

Message from the Chief Financial Officer/Executive Vice President

Secure *Footing*

While 2008 will be remembered as a year in which financial institutions throughout the U.S. and abroad suffered their worst peformance in recent history, Tech CU had a comparatively successful year. We experienced growth in members and our loan portfolio, achieved relatively low delinquency and charge-off ratios and have one of the strongest levels of capital in our industry.

While we saw a significant slowdown in 2008 in terms of loan volume as a result of the worsening economy, our first mortgage portfolio still grew by over $10 million during the year and home equity line of credit balances jumped by nearly $60 million to over $300 million. After mortgage sales of over $25 million to the secondary market, Tech CU ended the year with a small net growth of nearly $3 million in total loans. Tech CU's loan to share ratio at year-end (percentage of member deposits that are loaned out), which is a measure of how effectively the credit union lends to its members, exceeded 100%—an excellent accomplishment.

With an eye on our net margin, we made the decision early in the year not to aggressively compete for deposits, in particular, Certificate accounts due to their volatility. As a result, total net deposits decreased in 2008 by over $100 million. As expected, much of this decrease came from the run-off of our portfolio of 6% Certificates that we'd acquired in 2007. In contrast, our Money Market Plus accounts grew during the year by an impressive $92 million—over 63%—to over $236 million.

As a result of this decline in total deposits, by year-end our assets had decreased by 8% from December 31, 2007, to end the year at over $1.25 billion. While this decrease was not initially part of our operating plan, a favorable outcome of our assets shrinking was that our capital-to-assets ratio rose from 12% at the end of 2007 to over 13% by year-end 2008. This put us among the most highly capitalized credit unions in our industry, a key measure of a financial institution's strength and stability.

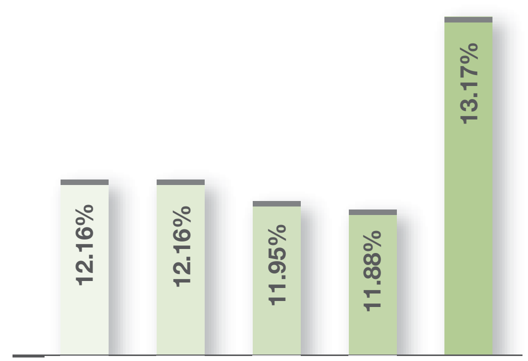
Also on the positive side was that in spite of the costs involved with completing a massive IT initiative—the conversion of our core operating system to a new IT platform—we remained committed to managing expenses efficiently. As a result, our expenses came in at the end of the year at 8% lower than plan, a commendable achievement.

Like the majority of financial institutions everywhere, Tech CU sustained higher losses over previous years in the area of loans. While our delinquency ratio at .46%, and charge-off ratio at .76% were still very low compared to the majority of our credit union peers, due to the increasing delinquency and loan losses, we were required to set aside more money each month than planned in our Allowance for Loan Loss account. While this additional expense impacted our earnings, due to prudent management of our expenses and spread we originally ended the year with annual operating earnings of nearly $3.7 million, an increase over plan of $360,000. The credit union's return on assets (ROA) came in at .29%, also slightly over plan. However, as a result of the takeover in March, 2009 of Western Corporate Federal Credit Union (Wescorp) by our regulator, the NCUA, we are now required to reflect a write-down for 2008 of our investments with Wescorp. This has resulted in negative net earnings for Tech CU in 2008 of $3.1 million.

It's clear that the problems that created the current financial crisis have not yet been resolved, and it's anticipated that our country and the rest of the world will remain in a recession throughout 2009 and possibly into 2010. However, due to Tech CU's exceptionally strong level of capital, our commitment to expense management and vigilant oversight of asset quality and interest rate risk, Tech CU's Board of Directors and management team are confident that Tech CU will survive and even succeed in these tough economic times. As always, our mission is to be ready and able to serve our members now and in the future.

Steven Fisher
Chief Financial Officer/Executive Vice President

Capital-to-Assets Ratio for Tech CU
2004–2008



Executive Management Team

Leslie Jeffries
Chief Information Officer

LeeAnne Giblin
Senior Vice President, Human Resources

Michael Luckin
Senior Vice President, Delivery Systems

Steven Fisher
Chief Financial Officer/Executive Vice President

Kenneth D. Burns
President and CEO

Harold Roundtree
Senior Vice President, Member Services

Board of Directors

Mical Atz Brenzel
Chairman

Albert E. “Ted” Wehde
Vice Chairman

Kenneth D. Burns
Treasurer
President and CEO, Technology Credit Union

Joe Shepela

Cynthia Erickson
Adjunct Professor, Menlo College

John W. “Jack” Wedgwood
Dunham Associates, CPAs

Bob Howard-Anderson
President and CEO, Occam Networks

John Paul Bruno
Vice President, DMB Associates, Inc.

Peter Donahower

Robert E. Bylin
Chief Financial Officer, Spectra Linear

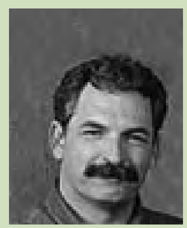
Lloyd Kohn
President and Owner, D&L Management

Supervisory Committee

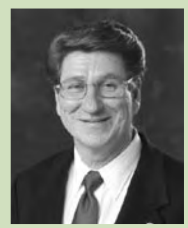
Robert J. Prantis
Chairman

Bob Luong
Vice Chairman

James Kohnen
Secretary



Charles F. Dolci



Tom Hall

Statement of Operations
(unaudited)

(IN THOUSANDS)

Statement of Operations	2004	2005	2006	2007	2008
	YEAR ENDED				
Interest on Loans	$31,688	$40,296	$53,664	$60,442	$60,472
Interest on Investments	$9,791	$7,796	$8,105	$9,898	$3,478
Total Interest Income	$41,480	$48,092	$61,769	$70,340	$63,950
Dividends and Interest Paid	$5,852	$13,607	$23,413	$30,350	$19,826
Net Interest Income	$35,627	$34,485	$38,357	$39,989	$44,124
Provision for Loan Losses	$843	$(986)	$419	$2,084	$9,815
Net Interest Income After Provision For Loan Losses	$34,784	$35,471	$37,938	$37,905	$34,309
Non-interest Income	$17,765	$8,654	$8,086	$8,439	$9,236
Operating Expenses and Non-Operating Expenses	$30,496	$31,729	$35,334	$38,321	$46,731
Net Earnings	**$22,054**	**$12,395**	**$10,689**	**$8,022**	**($3,186)**

Statement of Financial Condition
(unaudited)

(IN THOUSANDS)

Statement of Financial Condition	2004	2005	2006	2007	2008
	YEAR ENDED				
ASSETS:					
Cash	$10,836	$14,890	$18,603	$16,595	$15,464
Investments	$365,447	$242,018	$234,880	$235,227	$114,692
Loans to Members, Net	$706,214	$892,783	$1,001,599	$1,081,877	$1,080,060
Premises and Equipment	$19,539	$20,310	$20,443	$21,005	$23,664
Other Assets	$13,746	$15,883	$17,619	$18,668	$16,918
Total Assets	**$1,106,782**	**$1,185,884**	**$1,293,144**	**$1,373,372**	**$1,250,798**
LIABILITIES, MEMBER DEPOSITS, AND RESERVES:					
Dividends Payable	–	–	$3,523	$6,653	$2,581
Accounts Payable	$4,999	$7,628	$9,018	$8,433	$8,240
Notes Payable	0	0	0	0	0
Member Deposits	$972,474	$1,036,874	$1,128,531	$1,198,193	$1,083,070
Total Equity	$129,308	$141,382	$152,071	$160,093	$156,907
Total Liabilities, Member Deposits, and Reserves	**$1,106,782**	**$1,185,884**	**$1,293,144**	**$1,373,372**	**$1,250,798**

Tech CU—Everything we do is on your account℠

Tech CU TECHNOLOGY CREDIT UNION

www.techcu.com