



TRAVIS CREDIT UNION

2009 ANNUAL REPORT

*Embracing the Basics
to Help Members Succeed*



TRAVIS CREDIT UNION

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CHAIRMAN'S AND PRESIDENT'S REPORT



Curt Newland
Board Chair



Patsy Van Ouwkerk
President & CEO

"I have three mortgage loans with Travis and several savings accounts, and not once did a problem arise that was not handled quickly as well. I cannot think of one thing to complain about."

William

Retired Air Force and TCU member since 1968

Signs of economic improvement in late 2009 have left us cautiously optimistic about 2010. While Travis Credit Union is better prepared for what might occur than some other financial institutions, we expect that 2010 will be another challenging year. Our *embracing the basics* approach to how we do business will help ensure that credit union staff, managers, and volunteers remain focused on serving our membership.

LOOKING AT THE NUMBERS FROM 2009

In 2009, we experienced a \$16.4 million net loss. This was due in large part to the credit union's required contributions to stabilize the National Credit Union Share Insurance Fund (the NCUSIF). In January 2009, we learned that the National Credit Union Administration (the NCUA) would require all federally insured credit unions, including Travis Credit Union, to pay additional premiums to build up the NCUSIF. Then, in March, 2009 the NCUA put two wholesale credit unions—Western Corporate FCU (WesCorp) and U.S. Central FCU—into conservatorship as part of a move to stabilize the credit union system. These required contributions reduced our income by more than \$19 million in 2009.

In a normal year, the credit union absorbs about \$20 million in bad debt, but in 2009 that amount doubled. This was due in part to members defaulting on Travis Credit Union auto loans and credit cards after their mortgage payments

to other financial institutions were adjusted and their payments increased. Many members lost their jobs in 2009 or experienced reductions in hours worked and without the means to meet all their financial obligations. Some members could no longer afford to keep up with their auto loans and credit cards while trying to stay in their homes. The record number of foreclosures and the high level of unemployment were the primary reasons for increased loan losses last year.

Our response to members' difficulties made member service the hallmark of 2009. Staff spent countless hours helping members arrange new loan terms to help them keep their vehicles and pay off credit card debt.

MEMBERSHIP GROWTH

The credit union welcomed 14,831 more new members last year. Our membership grew 1.5 percent, to 159,249, by the end of 2009. This was due, in part, to consumer dissatisfaction with poor bank service, high bank fees, and disappointment in the lending practices of banks. With endorsing comments about credit unions from personal finance gurus, including internationally known Suze Orman, people turned to credit unions—a trend that continues into 2010.

WE REMAIN WELL-CAPITALIZED

Another reason for membership growth is that people simply want to do business with those they trust. Since Travis Credit Union remains well-capitalized, our members trust we'll be here for them in the long run. Regulators define a well-capitalized credit union as one with net worth of 7 percent or more. As of December 31, 2009, we had about \$147.8 million, or 9.5 percent, of our assets in our reserve fund, thanks to the diligence and foresight of past and current credit union leaders.

COMMUNITY OUTREACH

Since 1951 we have provided exceptional value and service, which has consistently made Travis Credit Union the best place to bank in many of the cities we serve.

While financial numbers tell one story, our community outreach tells another. In 2009, credit union employees volunteered more than 1,650 hours to 300 local community and industry organizations and were active in 82 civic organizations. Also, they donated more than \$100,000 to 129 local groups.

As you review the financial highlights of 2009 in the pages that follow, keep in mind we will always strive to make it easier for you to do business with us. We appreciate the trust you have in us and look forward to being your financial partner for years to come.

"I was already in love with Travis for so many reasons. This is just something else to brag about. You refinanced my car at an amazing rate, and you stay totally connected with your members."

Shaila

TCU member since 2005

UNAUDITED STATEMENTS OF FINANCIAL CONDITION

December 31, 2009 and 2008

ASSETS	2009	2008
Cash and cash equivalents	57,619,874	\$41,868,369
Investments		
Trading	1,262,648	821,966
Available-for-sale		217,033,737
Other	343,956,597	165,478,727
Loans held for sale	1,597,397	812,250
Loans, net	995,845,526	1,091,259,925
Accrued interest receivable	6,385,403	7,135,976
Property and equipment	36,916,151	39,457,435
National Credit Union Share Insurance Fund deposit	13,499,625	11,740,044
Other assets	10,442,527	10,236,921
Total assets	1,553,273,848	\$1,585,845,350
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Shares	\$1,367,938,640	\$1,343,262,312
Borrowed Funds	25,000,000	65,383,300
Accrued Dividends Payable	957,752	2,261,548
Accrued expenses and liabilities	7,220,580	7,815,720
Total liabilities	1,401,116,972	\$1,418,722,880
Members' equity		
Retained earnings	147,854,951	\$164,221,446
Accumulated other income	4,301,925	2,901,024
Total members' equity	152,156,876	167,122,470
Total liabilities and members' equity	\$1,553,273,848	\$1,585,845,350

UNAUDITED STATEMENTS OF INCOME AND STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2009 and 2008

STATEMENTS OF INCOME	2009	2008
Interest income		
Interest on loans	\$75,237,741	\$77,123,13
Interest on investments and cash equivalents	15,255,792	18,551,67
Total Interest Income	90,493,533	95,674,807
Interest expense		
Dividends on shares	16,694,685	33,820,789
Borrowed funds	970,790	444,031
Total interest expense	17,665,475	34,264,820
Net interest income	72,828,058	61,409,987
Provision for loan losses	46,624,377	50,150,776
Net interest income after provision for loan losses	26,203,681	11,259,211
Non-interest income		
Realized gains (losses) on trading investments	242,815	(344,435)
Realized gains (losses) on available-for-sale investments	1,191,008	76,873
Fees and charges	9,198,392	13,424,063
Other non-interest income	9,622,624	4,494,229
Pass-back and recapitalization of NCUSIF deposit	8,205,790	0
Total non-interest income	28,460,629	17,650,640
Non-interest expense		
Salary and benefits	27,277,812	26,969,274
Operations	20,207,400	21,250,655
Occupancy	4,465,729	4,515,157
Loss impairment of investment on WesCorp capital shares	8,849,572	0
NCUSIF deposit impairment loss and premium assessment	10,230,292	0
Total non-interest expense	71,030,805	52,735,086
Net Loss	\$(16,366,496)	\$(23,825,235)
STATEMENTS OF COMPREHENSIVE INCOME		
Net income (loss)	\$(16,366,495)	\$(23,825,235)
Other comprehensive income		
Net change in unrealized gains on available-for-sale securities	2,591,909	2,388,288
Less: reclassification adjustment for gains (losses) recognized in income	(1,191,008)	(76,783)
Other comprehensive income	1,400,901	2,311,505
Comprehensive income	\$(14,965,594)	\$(21,513,730)

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee's major responsibilities are to safeguard our members' assets, ensure an independent audit is performed annually, and verify members' accounts. In 2009, the committee performed its duties in collaboration with the credit union's internal audit department, certified public accountants, the National Credit Union Administration (NCUA), and the California Department of Financial Institutions (DFI).

In 2008, the Supervisory Committee engaged the auditing firm of Turner, Warren, Hwang and Conrad to perform the annual independent audit of Travis Credit Union's financial statements. We are pleased to inform you that the audit for 2009 was completed successfully. Travis Credit Union's financial statements comply with generally accepted accounting principles and fairly represent the financial condition of the credit union.

Based on the results of the annual financial audit, TCU's internal audits, and examinations conducted by the NCUA and DFI, the committee finds that Travis Credit Union is a financially sound organization, dedicated to serving its members. In addition, the committee commends the management team and Board of Directors for their diligence and support.

In 2010, the Supervisory Committee continues to fulfill its duties to protect your interests in strict compliance with policy and the relevant laws and regulations.

Respectfully submitted,



Arturo Reyes, Supervisory Committee Chair



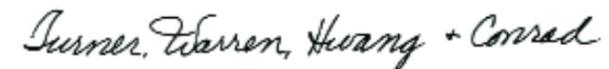
L to R: Arturo Reyes, chair; Mark Dupree, secretary; and Thom Watkins, member

INDEPENDENT AUDITOR'S REPORT

Board of directors and shareholders of Travis Credit Union:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Travis Credit Union and subsidiaries as of December 31, 2009, and the related consolidated statements of income, retained earnings, and cash flows for the year then ended (not presented herein); and in our report dated March 09, 2010, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed, consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which they have been derived.



*Turner, Warren, Hwang & Conrad Accountancy Corporation
March 9, 2010*

"I started with TCU when I was 18 years old in the Air Force. For over 25 years, I have had security with TCU. I have been able to save thousands of dollars in loan interest with various loans. I have been able to have a successful career and family, all while entrusting our money to TCU. Thanks!"

*Kevin
TCU member since 1985*

EMBRACING THE BASICS

"Being a Travis Credit Union member has always made me feel like I have a stake in my future. I've been impressed with the people and service for more than 30 years now. Keep up the good work, and thank you for being so responsible with members' money!"

Marry

Travis Credit Union spent 2009 anticipating market changes. Our leadership devoted considerable time studying local, regional, and national developments to ensure we met our regulatory responsibilities, as well as our members' expectations. We have maintained financial strength with higher reserves than are required, added time-saving convenience through new tools for electronic access, and demonstrated to our neighbors our investment in the communities where we have branches. As we approach our sixtieth anniversary, we are proud to say we have weathered a sudden storm, are doing well, and remain ready for more showers.

SERVICE

Most people felt the ongoing strain of a struggling economy in 2009. TCU staff understood that our exceptional service would help distinguish Travis Credit Union from other financial institutions in the areas we serve. We made a point of recommending timely solutions that could save money, make money, or provide convenience. We helped members understand that it costs less to bank at Travis Credit Union because we have fewer and lower fees compared to banks, which studies show can save families almost \$300 annually.* In some cases, we reduced loan payments by extending terms on loans that allowed it. We also directed those who needed or wanted in-depth money management counseling to

call the Balance® Financial Fitness Program, a confidential, free money management resource for all our members. Extraordinary service is the hallmark of Travis Credit Union. The quality of our care will always set us above and apart from the competition.

EMPLOYEES

What is not apparent in the bottom line of our financial statements is the true value our employees bring to this cooperative endeavor. Employees educate, guide, evaluate, and consider the details of each member's circumstances to see which products or services match their needs. We won't offer a member a product or service that doesn't make sense for them. At a time when consumers need to make every penny count, the extraordinary staff of Travis Credit Union is informed, trained, caring, and ready to help members achieve their financial goals.

EDUCATION

Educating members about money management was a dynamic effort in 2009. We had seminars about getting organized at home, budgeting, planning, saving, and investing. We worked with teens to acquaint them with the details of managing personal finances and encouraged high school seniors to apply for accessible college scholarships. Our newsletters to households carried financial tips for members of any age to help them do more with less and do it responsibly.



We encouraged saving in 2009.

Ultimate Rewards campaign: a membership growth and retention program that pays 7% APY on the first \$500 in share savings accounts when members sign up for a combination of relationship-building products.

"I am very satisfied with Travis. The tellers and other personnel are courteous, helpful and always willing to take time to answer my questions and help me with any problems. They look at you and smile—so rare these days. Keep up the good work."

Patricia

*Travis Credit Union commissioned studies from Dr. William E. Jackson III, professor of finance and management at the University of Alabama and a former policy advisor at the Federal Reserve Bank of Atlanta. The studies showed that TCU members received a total benefit of \$19,932,423 in 2008. That's a savings of \$268 per household or \$134 per member.



We encouraged electronic access in 2009.

The Debit Cash-back Rewards Program pays members 5¢ on every retail purchase with their VISA® debit card, up to \$300 annually.

EFFICIENCY

We used all our channels of communication in 2009 to encourage members to use our portfolio of free electronic tools and services to save paper, postage, and time. E-services work in unison with branches and the member service center to ensure members have real time account balances and 24/7 access to funds. Members are always welcome at our branches, but e-tools provide members the ability to bank anywhere, any time.

UNDERSTANDING

Again in 2009, the board of directors and other TCU leaders took concerns about the economy and banking in general to state and federal legislators to keep them informed about local perspectives and to understand what lawmakers were doing for credit unions. As banking regulations become more restrictive, credit unions will work energetically to communicate openly with members about the benefits of cooperative banking. As a member-directed organization, Travis Credit Union stays on the front line of the credit union movement, making the benefits of membership available to all who are eligible in our field of membership.



We were good corporate citizens.

The Community Commitment Report 2009 highlights many of the events and projects we supported in the communities where we have branches.

FAIRNESS

We are especially mindful of the fact that people of modest means have fewer financial alternatives and may be underserved by the banking community. We have sought diversity in our membership and work to provide loans of all kinds to those of low to middle income. In 2009 we provided a venue for free tax preparation and supported a wide range of community projects that focus on the needs of the underserved. Our *Community Commitment Report 2009* elaborates on these endeavors.

TRADITION

We owe our start to Travis Air Force Base and to base personnel who cared enough to start a financial cooperative back in 1951. This military heritage is the basis of our effort to support those who protect our freedom and security. As airmen and women from throughout the United States were deployed around the world in 2009, Travis Credit Union honored them, their families, and their leaders with hands-on participation and funding for recognition events, family-fun, and financial education opportunities that were customized for a military lifestyle. It is proper that we provided this support as they gave us their all in 2009.

"I was being charged \$120 a year to keep an account open (at my old bank) because I didn't get direct deposit; changing [to TCU] has made me feel better already because I am able to save my money instead of lose it; thanks again."

Marita

2009 BOARD OF DIRECTORS



*Curt Newland
Board Chair*



*Patricia Moreno
Board Vice Chair*



*Mary Coburn
Secretary*



*Tom Kulinski
Treasurer*



*Deborah Aspling
Director*



*Denton Connor
Director*



*Charles Dawes
Director*



*Stuart McIntosh
Director*



*Jim Porter
Secretary*



*Patsy Van Ouwkerk
President & CEO*