

Consolidated Statements of Financial Condition

December 31, 2005 & 2004

ASSETS	2005	2004
Cash & cash equivalents	\$ 5,821,606	\$ 3,825,558
Interest bearing deposits at other institutions	11,064,022	14,242,399
Loans receivable, net of allowance for loan losses	24,001,893	23,258,156
Accrued interest receivable	106,812	88,941
Prepaid expense & other assets	68,360	68,938
Property and equipment (net)	85,479	90,047
NCUSIF deposit	348,869	352,924
Total assets	\$ 41,497,041	\$ 41,926,963
LIABILITIES & MEMBERS' EQUITY		
Liabilities		
Members' share and savings accounts	\$ 35,715,424	\$ 36,526,465
Accrued interest payable	23,420	14,458
Accrued expenses and other liabilities	120,324	132,634
Total liabilities	35,859,168	36,673,557
Members' equity, substantially restricted		
Appropriated regular reserves	856,938	856,938
Unappropriated earnings	4,708,935	4,396,468
Total members' equity	5,637,873	5,253,406
Total liabilities and members' equity	\$ 41,497,041	\$ 41,926,963

Consolidated Statements of Income

Years ended December 31, 2005 & 2004

INTEREST INCOME	2005	2004
Loans receivable	\$ 1,548,385	\$ 1,432,625
Investment securities	487,383	400,905
Total interest income	<u>2,035,768</u>	<u>1,833,530</u>
INTEREST EXPENSE		
Members' share & savings accounts	478,904	356,201
Borrowed funds	83	38
Total interest expense	<u>478,987</u>	<u>356,239</u>
Net interest income	<u>1,556,781</u>	<u>1,477,291</u>
PROVISION FOR LOAN LOSSES		
Net interest income after provision for loan losses	<u>—</u>	<u>87,587</u>
	<u>1,556,781</u>	<u>1,389,704</u>
NON-INTEREST INCOME		
CUSO insurance commissions	109,816	110,360
Loss on sale of property & equipment	(7,424)	(7,412)
Fees, charges & other operating income	250,488	245,891
Total non-interest income	<u>352,880</u>	<u>348,839</u>
NON-INTEREST EXPENSE		
Compensation and benefits	887,824	910,605
Occupancy	124,698	120,490
Other operating expense	512,672	517,159
Total non-interest expense	<u>1,525,194</u>	<u>1,548,254</u>
Consolidated net income	<u>\$ 384,467</u>	<u>\$ 190,289</u>

Any member of Teamsters Council #37 Federal Credit Union can view a complete copy of the financial report at the Credit Union's Main Office in Portland.

Consolidated Statements of Members' Equity

Years ended December 31, 2005 & 2004

	Appropriated Regular Reserve	Unappropriated Earnings	Total
Balance December 31, 2003	\$ 856,938	\$ 4,206,179	\$ 5,063,117
Net income	—	190,289	190,289
Balance December 31, 2004	\$ 856,938	\$ 4,396,468	\$ 5,253,406
Net income	—	384,467	384,467
Balance December 31, 2005	<u>\$ 856,938</u>	<u>\$ 4,780,935</u>	<u>\$ 5,637,873</u>



**Teamsters Council #37
Federal Credit Union**

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2005 Annual Report



**Teamsters Council #37
Federal Credit Union**



President's Report

Darel Aker

During 2005 your Credit Union further solidified its position as the financial institution of choice for Teamsters and their families. We have continued to tailor our services to meet the specific needs of our members, and the results include a doubling of our net income over 2004.

Other financial measures were mixed, reflecting a highly competitive financial market during a period of rising interest rates, along with some changes in our branch operations. Manager Mark Freels looks more closely at our financial performance in his report. Overall, TCU remains a very sound financial institution and a secure guardian of the money entrusted to our care by our members.

We continue to pay solid dividends at attractive rates on deposit accounts ranging from basic savings accounts to Certificates and IRAs. Our Hi-Yield Money Market offers all the convenience of a checking account—unlike money market accounts at other financial institutions—while also paying rates at or near the top of the market.

The money for the dividends we pay is generated from the interest on loans we make to members. The personalized rates we began offering to members just over two years ago have allowed us to approve the vast majority of loan applications since then, helping more members with life goals such as buying a car, financing a home, making home improvements, paying off high cost debt, sending kids to college, and more.

We not only say “yes” to loans, we also offer them at rates that appeal to members with good credit and shaky credit alike. If you need a loan, you will be hard pressed to find a better deal somewhere else.

How can TCU pay high savings rates and charge low loan rates all at the same time? That's the “secret” behind our not-for-profit financial cooperative. Because our members are the sole owners of the Credit Union, we don't have outside investors as a

bank does and all of our earnings benefit our members in the form of better rates, free or low cost services, and greater security.

Service and security came to the fore in the summer of 2005, as we switched operations in Hood River and Ontario to a shared branch arrangement with other credit unions. This has given TCU members in those locations access to facilities designed to deliver financial services and staffed by professionals from the industry. We continue to enjoy a convenient and secure working arrangement with Teamster Locals at our other Oregon locations, but shared branches are proving to be a good alternative when necessary.

The Portland Main Office also saw some changes. New carpeting and fresh paint were inexpensive ways to give the facilities a fresh, new feel, and two offices were constructed for our loan officers to afford greater privacy for members. But even though we spruced up the place, you'll still find the same great people there, ready to serve you with a smile!

Our friendly and experienced staff really sets TCU apart. When we say we provide personalized service, it is literally true—many of you are on a first-name basis with the staff members at the TCU office you use! When you know someone that well for that long, you develop a partnership that brings mutual respect and consideration you can't get anywhere else.

I invite you to invite your family and co-workers to discover the money-saving services and marvelous staff at TCU. A larger membership makes for an even stronger Credit Union, and that benefits every member.

As always I would like to thank my fellow Board members for their hard work through 2005, and our dedicated management and staff for their ongoing service to members. I also thank all of you, our members, for continuing to support your Credit Union. We look forward to serving all of you to the best of our ability through 2006 and beyond.



Manager's Report

Mark Freels

Teamsters Council #37 Federal Credit Union achieved a very healthy bottom line in 2005. As President Darel Aker notes in his report, our net income doubled from 2004, exceeding \$384,000—a very gratifying result in a mostly flat year. All of our income ultimately translates into better rates and services for you, our members, as well as building our capital reserves, which helps secure and strengthen the Credit Union.

The chief components of our income growth were an increase in loans, a reduction in loan losses, and careful expense management. Loans to members surpassed \$24 million for the first time, growing by nearly three-quarters of a million dollars over 2004. Even with a higher loan volume, our personalized lending program combined with a “no nonsense” pursuit of delinquent loans slashed losses to a record low of just \$44,000.

On the savings side, we paid \$497,000 in dividends to members during 2005. This is an increase of more than 25% over 2004. Total members' savings dropped slightly to \$35.7 million, which reflects both a negative national savings rate—Americans as a whole are spending more than they are making—as well as especially strong competition for savings deposits.

Operationally, TCU tightened its belt, which also contributed to the bottom line. Total expenses, excluding dividends paid to members, were reduced by over \$23,000. We run a very tight ship at your Credit Union, and that practice helps us navigate the uncertain financial tides of today's deregulated marketplace.

All in all, 2005 was a good year for TCU, and we will continue to stay the course, offering a safe haven for the personal finances of Teamsters and their families. This is made possible by the unwavering guidance and hard work of your Board of Directors, and even more so by your support for the Credit Union you own with your fellow members. Thank you, all! We are working hard to make TCU the best place to bring your financial business for many years to come.

Supervisory Committee Report

The Supervisory Committee acts as a “watchdog” on behalf of all Credit Union members, making sure that all regulations, procedures, and policies are properly followed as defined by the National Credit Union Administration (NCUA). The committee is appointed by the Board of Directors and is comprised entirely of volunteers from the membership.

One of the most important functions of the Supervisory Committee is to arrange and oversee an annual audit of the Credit Union's financial condition and internal accounting procedures. The WEL Group, Inc., Certified Public Accountants, of Portland was retained to conduct the 2005 audit.

The Supervisory Committee has carefully reviewed the auditors' report and found Teamsters Council #37 Federal Credit Union to be in compliance with the requirements and regulations of the Federal Credit Union Act, with no serious exceptions or adverse findings. Any member can view a complete copy of the report at the Credit Union's Main Office in Portland.

It continues to be the opinion of the Supervisory Committee that the policies established by the Board of Directors contribute to sound management practices, and that Credit Union staff and management are operating effectively, efficiently, and in a manner consistent with safeguarding the membership's interests.

The Supervisory Committee acknowledges and thanks all members and others who have devoted time and effort to the welfare of the Credit Union. Any member with concerns about the Credit Union is encouraged to contact anyone on the Supervisory Committee.

Steve Pickle, Chairperson

George Sittner

Karen Ward