

Teachers Federal Credit Union



The Educated Choice For Everyone

2016

ANNUAL REPORT



Federally insured by NCUA

President's Report



"TFCU and its employees recognize the importance of giving back to our communities."

2016 was a year of transition at TFCU. Our biggest venture was the replacement of our core operating system with a more advanced, streamlined system. Unfortunately, it is not uncommon for such a major undertaking to cause some bumps in the road. For our members' patience during those times, we thank you. On the bright side, this laid the foundation for us to continue to add new technologies, thereby enhancing our offerings to ensure that we continue to offer the best value and highest level of service.

We will soon be launching a new, state-of-the-art, online banking system. Once this is accomplished, you'll have access with even more convenience, capabilities, and improved navigation, vastly improving your online banking experience. With new

technologies comes the need to secure them. This year, we began issuing our members new credit cards that contain the latest in anti-fraud technology, the EMV chip. Combined with our new text alert service, which members can set up to alert them via text to numerous types of transactions, you can rest assured that we are doing our best to protect you against possible fraudulent transactions.

In 2016, TFCU helped more people finance their autos than ever before. We look forward to continuing this trend, allowing even more of our members to benefit from our exceptionally low loan interest rates. We're proud to offer some of the best rates around for auto loans/leases, mortgages and home equity lines of credit. Additionally, we continue to offer checking accounts with no fees and with no stipulations, further enhancing your personal banking experience.

TFCU and its employees recognize the importance of giving back to the communities in which we serve and live. Our Community Involvement Committee, Team TFCU, continued to support our communities by raising funds for organizations such as: Memorial Sloan-Kettering; Little Flower Children's Services; Nassau Suffolk Services for Autism; Thomas Cutinella Foundation, LI Head Start, United Way of Long Island, and many more.

I am happy to report that TFCU has once again performed well in a challenging economic and regulatory environment and saw growth in membership, loans, deposits and assets in 2016. The statements and graphs contained in this report will illustrate our growth in each of these areas.

Please know that all of us at TFCU are here for you. We plan to continue the great culture of service and commitment to our members by putting you first and investing in the products and services that best meet your needs. Our primary focus will be to continue to offer friendly and efficient service, excellent products that are beneficial to you, and to maintain competitive loan and deposit rates. I would like to thank our Board of Directors, volunteers and staff for another impressive year. Their hard work and dedication have been pivotal in the credit union's success.

Most of all, I would like to thank you, our members. Your loyalty and dedication have lead us to be a successful credit union for nearly 65 years. We look forward to continuing to serve you.

Robert G. Allen
President/CEO

Chairman's Report



"In 2016, We continued to be a 5-star-rated financial institution in the areas of fiscal strength & security."

As a member-owned financial institution, Teachers Federal Credit Union has been adapting to the changing needs of our membership since 1952. From our humble beginnings, our continually growing membership has helped TFCU become one of the largest credit unions in the country. Despite our successes and growth, ensuring that our members have the best banking experience remains a top priority for 2017. This past year has seen TFCU touch the lives of more Long Islanders than ever before.

Thanks to another year of continued growth, we're able to offer a more diverse array of products and services that each of our 25 branches deliver

Island-wide. Our membership continues to see the value and quality of what our Credit Union offers, and we're proud to have been able to further enhance each touch point of the member experience.

By continuing to build on our variety of personal, retirement, and commercial banking options, we can help ensure the future prosperity and security of not only our diverse membership, but of Long Island as a whole.

As a responsible neighbor, we believe in the value of making a direct investment in our local community groups. In 2016, we've partnered with various local charities, nonprofits and organizations that touch the lives of our fellow Long Islanders each day. As is a proud tradition, TFCU offered scholarships to local high school seniors, and have increased our awards for 2017. At TFCU, we see each dollar invested in the community as a down payment for future successes.

In this period of economic expansion we remain mindful of the importance of safeguarding your assets. In 2016, we continued to be a 5-star-rated financial institution in the areas of fiscal strength and security, a rare distinction given by Bauer Financial Inc. This designation, along with investments being made to ensure that your relationship with TFCU is productive, helpful and secure, showcases your credit union's commitment to member service.

Being a member myself, I can't help but be proud of our homegrown approach to banking. 2016 has been a great year for our members. I look forward to the promise of even more success in 2017.

George L. Dornhoefer
Chairman, Board of Directors

Statements of Financial Condition

Years Ended December 31, 2016 and 2015. (Dollars in Thousands)

Assets	2016	2015
Cash and cash equivalents	\$ 153,380	\$ 206,604
Securities held-to-maturity	1,748,512	1,998,081
Securities available for sale	264,835	279,485
Loans to members, net	3,119,990	2,589,607
Loans held for sale	3,770	2,213
Accrued interest receivable	9,124	9,859
Deposit in National Credit Union		
Share Insurance Fund	45,484	43,293
Property and equipment, net	63,098	61,662
Prepaid expenses and other assets	53,819	39,245
Total Assets	\$ 5,462,012	\$ 5,230,049

Liabilities, Members' Shares and Equity

Liabilities:		
Accounts payable and accrued expenses	\$ 37,421	\$ 22,459
Dividends payable	2	5

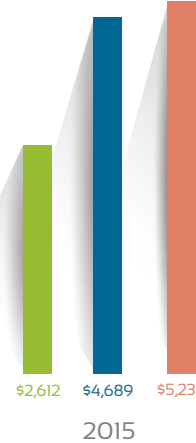
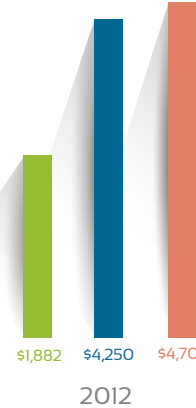
Members' Shares:

Members' accounts:		
Regular share accounts	835,226	750,511
Share draft accounts	510,929	461,518
Money market accounts	2,156,568	2,161,154
Individual retirement accounts	359,952	352,198
Share certificates	1,017,613	963,288
Total members' shares	\$ 4,880,288	\$ 4,688,669

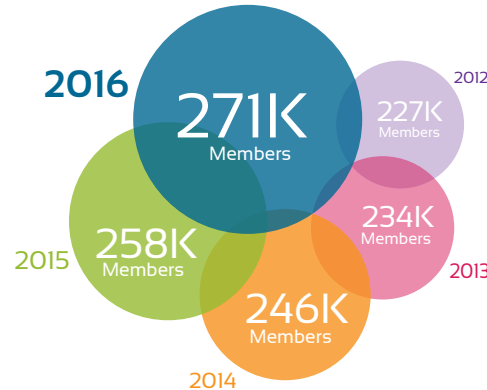
Total Liabilities and Members' Shares	4,917,711	4,711,133
<i>Retained earnings</i>	544,301	518,916
Total Liabilities and Equity	\$ 5,462,012	\$ 5,230,049

TOTAL LOANS, SHARES & ASSETS

As of December 31, dollar amount is in millions of dollars



MEMBERSHIP GROWTH



Statements of Income

Years Ended December 31, 2016 and 2015. (Dollars in Thousands)

Interest Income:

	2016	2015
Interest on loans to members	\$ 95,159	\$ 85,062
Interest on securities and cash equivalents	30,495	31,103
Total Interest Income	\$ 125,654	\$ 116,165

Interest Expense:

Dividends on members' accounts	\$ 29,446	\$ 30,955
Net Interest Income	96,208	85,210
Provision for loan losses	2,100	0
Net interest income after provision for loan losses	\$ 94,108	\$ 85,210

Non-Interest Income:

Non-interest income	\$ 36,895	\$ 31,308
Total Income	\$ 131,003	\$ 116,518

Non-Interest Expense:

Compensation and benefits	\$ 48,901	\$ 45,563
Office occupancy	8,725	8,772
Office operations	10,118	8,120
Professional and outside services	1,563	1,427
Credit/Debit and share draft program expenses	5,604	5,265
Other	24,876	18,439
Total Non-Interest Expense	\$ 99,787	\$ 87,586
NCUSIF Corporate Stabilization Expense	\$ 0	\$ (600)
Net Income	\$ 31,216	\$ 29,532

Supervisory Committee's Report

The Supervisory Committee is the Credit Union's Audit Committee "watchdog" for the members. The Supervisory Committee is responsible for making sure the Credit Union's financial records are in order and the internal controls are in place to protect the assets of the Credit Union and its members. The Committee does this by conducting an annual audit and ensuring that internal controls are tested regularly.

Among the responsibilities of the Supervisory Committee are to:

- Ensure that the Credit Union is in full compliance with National Credit Union Administration (NCUA) regulations with all relevant laws and regulations.
- Ensure that a complete and thorough audit of the Credit Union's records and operations, including verification of member loans and share accounts is conducted at least once a year.
- Ensure that all necessary written audits and work-papers are submitted to regulatory agencies in a timely fashion.
- Ensure that adequate internal controls are established and effectively maintained to safeguard the Credit Union's assets.
- Oversee the inspection of securities, cash and accounts of the Credit Union.
- Oversee the review of the Credit Union's operations and monitor overall financial condition on an ongoing basis.
- Review all new policies and changes in Credit Union procedures in terms of their effects on the quality of service to members and safety of members' funds.
- Present a full report of the findings of the annual audits and special findings to the Board of Directors.
- Prepare and make available a report to be presented to members at the annual meeting.
- Engage the services of auditors as needed to perform audits; and direct and oversee all work by auditors.

I am pleased to report that TFCU has continued its high standard of compliance. The balance sheets and related statements of income are presented accurately. Members can rest assured the credit union's financial performance and operations are regularly evaluated for continued safety and soundness.

We wish to express our appreciation to the Board of Directors, Management and Staff for their continued cooperation and support. We look forward to the pleasure of serving you in 2017.

James F. Nohe

Chairman

Treasurer's Report

I'm proud to report that TFCU had an outstanding financial year in 2016. All of the numbers in this summary and in the figures shown in this report support that conclusion.

For 2016, our Total Loans increased \$528.5 million, a gain of 20.2%, while Total Assets rose \$232.0 million (4.4%) and Total Shares grew \$191.6 million (4.1 %). The second half of the year saw an extremely large number of monthly gains in Total Loans with an outstanding monthly record increase of over \$71 million in December, 2016. Of particular note also is that auto lease loans recorded an outstanding gain of \$186 million (34.4%) for the year.

Furthermore, TFCU had a Net Income of \$31.2 million for 2016, a total Loan to Total Share ratio that grew from 56.4% to 64.4% and a Net Worth ratio (a key indicator of financial stability) of 10.4%.

Such outstanding results are evidence of the combined superb work of TFCU's Senior Management, dedicated staff and volunteers. I am confident that 2017 will again see our credit union continue to prosper for the benefit and financial well-being of its members.

Thanks for the privilege of serving as TFCU's Treasurer for these past 14 years.

Raymond P. Grossman

Treasurer

Board Of Directors

Chairman – George L. Dornhoefer

Vice Chairman – Juan C. Nuñez

Treasurer – Raymond P. Grossman

Secretary – Ronald A. Mincio

April S. Neitlich

Robert J. Ney

Fred H. Schaefer

Mario P. Shortino

Timothy M. Southerton

F. Jane Harris, Director Emerita

Frank D. Spencer, Director Emeritus

Supervisory Committee

Chairman – James F. Nohe

Secretary – Mark O. Israel

April S. Neitlich

Shalei V.K. Simms

Management

Robert G. Allen – President/CEO

Thomas A. Fallon – Executive Vice President/COO

Francis Collins – Sr. Vice President, Credit

Mark G. Eberharth – Sr. Vice President, Operations

C.J. Meyers – Sr. Vice President, Finance/CFO

Michael A. Valentin – Sr. Vice President, Info Systems

Elise Dierlam – Vice President, Human Resources

Elizabeth Mitacchione – Vice President, Mortgage Services

Lynne Viccaro O'Leary – Vice President, Marketing

Christopher Welga – Vice President, Enterprise Risk

Teachers Federal Credit Union



Our Members Matter!

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*Outside the Long Island, Westchester and New York Metro areas.

