

2018

ANNUAL REPORT



Federally insured by NCUA

President's Report



"At TFCU we believe that community is a critical part of who we are."

2018 was a year of tremendous growth for TFCU. After 66 years of excellence on Long Island, we are bringing our mission of bettering the lives of our members and their communities to the national stage.

TFCU acquired Projector FCU in June 2018, followed in succession by the acquisitions of Melrose CU and LOMTO FCU. This allowed us to open our charter so that anyone, anywhere in the country could benefit from our products and services. Our presence in Queens and Manhattan will allow for further ventures and growth in the New York metropolitan area. We welcome these new members and staff with great enthusiasm for what's to come and we are excited to provide expanded resources to our now-expanded family.

Here on Long Island, Kings Park led the way as one of our new locations, soon followed by Center Moriches, East Meadow and the newly relocated Port Jefferson Station branch. We also had new advancements into the digital age. Mobile Wallet options allow our members to use Apple Pay, Google Pay and Samsung Pay with their TFCU credit and debit cards. The service Popmoney was introduced to give members the ability to send money to other financial institutions, while TFCU accounts can now be accessed via Apple Watch or Android Wear devices. TFCU helped make the member experience more convenient than ever in 2018.

At TFCU we believe that community is a critical part of who we are. As a not-for-profit financial cooperative, we pride ourselves on being a good corporate citizen and we take pride in actively participating in the development of a strong and vital community. Through our community involvement and philanthropic efforts, the ultimate purpose is to give back. By providing charitable donations, organizing food and school supply drives and volunteering, TFCU demonstrates our "People Helping People" spirit in many ways.

Another way TFCU gives back to the community is through TFCUniversity. The workshops are led by our very own experts in fields such as Business Development, Mortgages, and Solar Energy. Our First Time Home Buyer workshop helps those members who are beginning the journey into finding their first home and all that comes with it. They leave feeling well-versed and more secure about their decision making, and our dedicated staff is ready to continue helping them along the way.

In addition to providing knowledge about solar energy, TFCU launched a new loan program, the PV/Solar Energy Loan - a cost efficient way to "go solar." Utilizing natural resources and our low rates is a great investment for the future.

Your credit union is financially strong and completely committed to serving its members. Our employees and volunteers appreciate your business and look forward to continuing to serve you.

Robert G. Allen
President/CEO

Chairman's Report



"Our venture into Queens and Manhattan will help TFCU better serve our members."

TFCU strengthened its reputation of excellence throughout 2018 by focusing on the needs and wishes of our members and communities. Our commitment to providing personal service, convenience, and the latest technologies enhance our always great rates on loans and deposits. TFCU ended the year with \$7.25 billion in assets and a strong capital-to-asset ratio of 9.03%. I am proud to report that in this past year TFCU has grown in assets, deposits, loans and membership.

Our venture into Queens and Manhattan with the acquisition of Melrose CU and LOMTO FCU will help TFCU better serve our members by providing three new locations outside of the Long Island area. The Briarwood, Riverside

and Woodside branches have seen great interest and traffic from all members and we are excited to be on this new journey with them. In addition to these three new locations, we look forward to strategizing future branches in accordance to the needs of our members.

By providing high deposit account rates and low loan and mortgage rates to our members and local businesses, we have helped our communities grow and thrive. Our focus on the multitude of financial needs and services that we can offer our membership remains clear and consistent.

Our knowledgeable staff helps members daily with inquiries of all types. They help them save and better their lives by offering solutions to their questions and needs. Figuring out the best deposit account for their current financial profile, referring them to our Trust & Financial Services for a wider range of products or helping them refinance a high rate auto loan or mortgage are only a few of the many ways they help our members succeed.

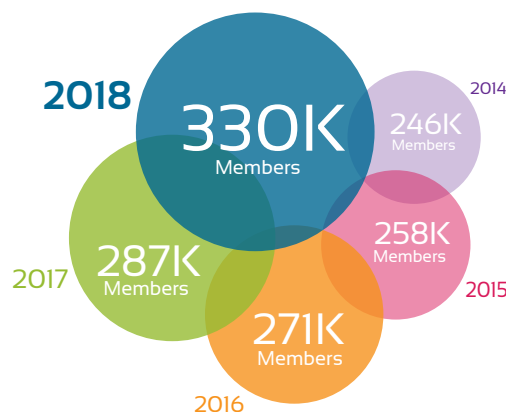
TFCU has embraced the fast-paced growth of technology with enhancements to our online and mobile banking features. Our membership has access to some of the most up-to-date features that allow for easy banking, convenience and peace of mind. We hope to continue utilizing and improving these tools and are determined to maintain competitiveness in this field.

The Financial Statements for 2018, included in this report, show that TFCU continues to be well positioned to serve its more than 330,000 members. The strong leaders of TFCU's management team and our dedicated staff will continue to focus on meeting the financial needs, big or small, of our membership.

Timothy M. Southerton

Chairman, Board of Directors

MEMBERSHIP GROWTH



Board Of Directors

Chairman – Timothy M. Southerton
Vice Chairman – George L. Dornhoefer
Treasurer – Juan C. Nuñez
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Ronald A. Mincio
Robert J. Ney
Mario P. Shortino
Shalei V.K. Simms
F. Jane Harris, Director Emerita
Frank D. Spencer, Director Emeritus

Supervisory Committee

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Secretary – Mark O. Israel
Alan R. Fertmann
Eric J. Iberger
April S. Neitlich

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Robert G. Allen – President/CEO
C.J. Meyers – Executive Vice President/COO
Francis Collins – Sr. Vice President, Credit
Mark G. Eberharth – Sr. Vice President, Operations
Michael A. Valentin – Sr. Vice President, Info Systems
Joseph Aiello – Vice President, Info Systems
Benjamin Alessi – Vice President, Accounting
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



Our Members Matter!

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TeachersFCU.org

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



Treasurer's Report

I am pleased to report that 2018 was another year of financial success for TFCU, and was augmented by the three acquisitions that occurred during the year.

Select Financial/Statistical Highlights for 2018 are as follows:

- Loans in our portfolio grew by 23.48% to \$4.448 billion.
- Total deposits increased 26.25% to \$6.588 billion.
- Assets at year-end increased 24.18% to \$7.248 billion.
- Membership increased 13.92% to 327,960 members.
- At the conclusion of 2018, the credit union's net worth ratio was 9.03%, a capital measurement that represents the strength and stability of our credit union.

The continued financial growth and success of TFCU continues to provide our members with new technologies, convenient services, higher yields on savings products and lower rates on loan products.

I am confident that TFCU will continue to remain strong and fiscally responsible while helping our members achieve their own personal financial objectives.

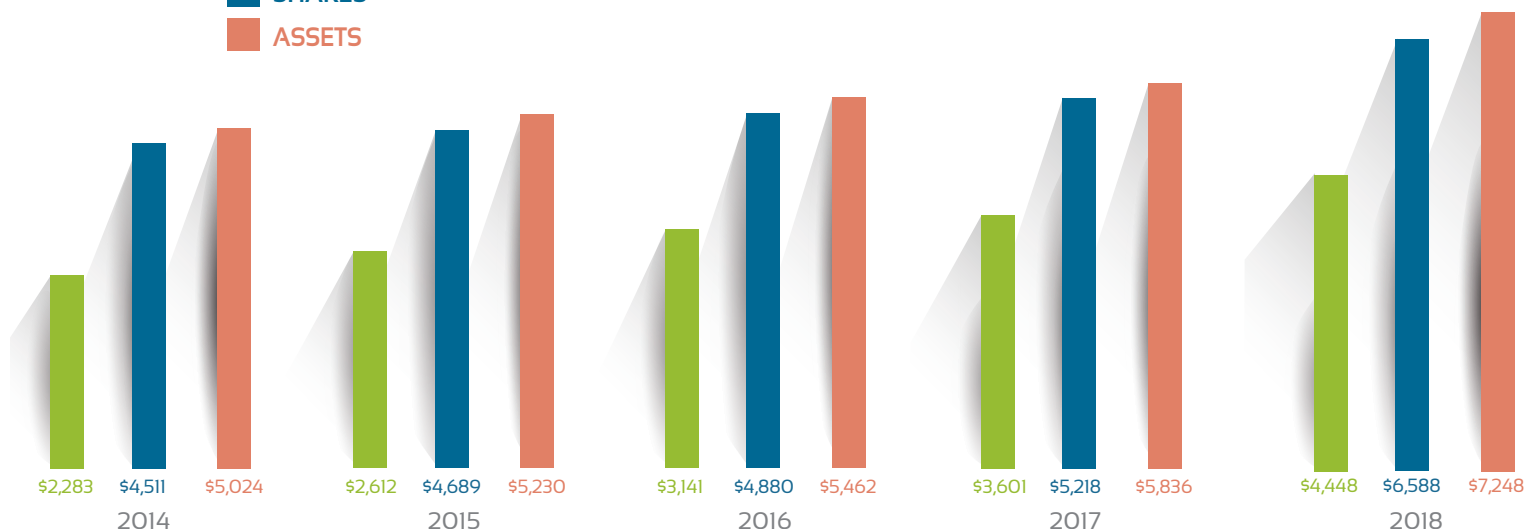
As a shareholder and member-owner of TFCU, you should feel extremely proud of your credit union. TFCU continues to have the resources necessary to offer members the competitive financial products demanded in today's marketplace.

Juan C. Nuñez
Treasurer

TOTAL LOANS, SHARES & ASSETS

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

LOANS
SHARES
ASSETS



Statements of Financial Condition

Years Ended December 31, 2018 and 2017. (Dollars in Thousands)

| Assets | 2018 | 2017 |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 297,941 | \$ 199,102 |
| Securities held-to-maturity | 1,815,592 | 1,636,143 |
| Securities available for sale | 438,842 | 250,233 |
| Loans to members, net | 4,434,766 | 3,583,661 |
| Loans held for sale | 0 | 1,039 |
| Accrued interest receivable | 17,243 | 11,745 |
| Deposit in National Credit Union Share Insurance Fund | 64,588 | 48,072 |
| Property and equipment, net | 81,111 | 62,353 |
| Prepaid expenses and other assets | 97,449 | 44,143 |
| Total Assets | \$ 7,247,532 | \$ 5,836,491 |

Liabilities, Members' Shares and Equity

| | | |
|--|---------------------|---------------------|
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 35,415 | \$ 44,822 |
| Dividends payable | 19 | 4 |
| Members' Shares: | | |
| Members' accounts: | | |
| Regular share accounts | 1,021,673 | 883,816 |
| Share draft accounts | 597,513 | 551,250 |
| Money market accounts | 2,056,484 | 2,025,788 |
| Individual retirement accounts | 570,220 | 373,275 |
| Share certificates | 2,342,069 | 1,384,042 |
| Total members' shares | \$ 6,587,959 | \$ 5,218,171 |
| Total Liabilities and Members' Shares | 6,623,393 | 5,262,997 |
| Retained earnings | 624,139 | 573,494 |
| Total Liabilities and Equity | \$ 7,247,532 | \$ 5,836,491 |

Statements of Income

Years Ended December 31, 2018 and 2017. (Dollars in Thousands)

| Interest Income: | 2018 | 2017 |
|---|-------------------|-------------------|
| Interest on loans to members | \$ 142,471 | \$ 114,019 |
| Interest on securities and cash equivalents | 42,379 | 30,381 |
| Total Interest Income | \$ 184,850 | \$ 144,400 |

Interest Expense:

| | | |
|--|-------------------|-------------------|
| Dividends on members' accounts | \$ 58,051 | \$ 32,911 |
| Net Interest Income | 126,799 | 111,489 |
| Provision for loan losses | 1,500 | 1,500 |
| Net interest income after provision for loan losses | \$ 125,299 | \$ 109,989 |

Non-Interest Income:

| | | |
|---------------------|-------------------|-------------------|
| Non-interest income | \$ 40,288 | \$ 36,779 |
| Total Income | \$ 165,587 | \$ 146,768 |

Non-Interest Expense:

| | | |
|---|-------------------|-------------------|
| Compensation and benefits | \$ 58,646 | \$ 51,051 |
| Office occupancy | 10,338 | 9,151 |
| Office operations | 12,297 | 9,969 |
| Professional and outside services | 2,166 | 1,783 |
| Credit/Debit and share draft program expenses | 6,664 | 5,569 |
| Other | 30,828 | 29,186 |
| Total Non-Interest Expense | \$ 120,939 | \$ 106,709 |
| NCUSIF Corporate Stabilization Expense | \$ 0 | \$ (402) |
| Net Income | \$ 44,648 | \$ 40,461 |

Supervisory Committee's Report

"The Times They Are a Changing"

The song by Bob Dylan in the 1960's still applies today. I have been a volunteer on the Supervisory Committee for the past 20 years and I am about to note some of the many changes that have occurred to the Credit Union universe and TFCU.

- In 1999 there were 10,628 Federally Insured Credit Unions.
- In 2019 there are 5,375 Federally Insured Credit Unions (FICU).
- In 1999 FICU had 75.3 million members with assets of \$357 billion, and loans totaling \$271.5 billion.
- In 2019 FICU had 116.2 million members with assets of \$1.45 trillion and loans totaling \$1 trillion.
- In 1999 TFCU had total assets of \$830 million, membership totaled 99,000, and the number of branches totaled 8.
- In 2019 TFCU has total assets of \$7.2 billion, membership totaling 329,000, and the number of branches total 31.

Supervisory Committee's Report (continued)

- In 1999 TFCU field of membership was Suffolk County-limited townships and Nassau County.
- In 2019 TFCU field of membership is the United States of America.
- In 1999 TFCU's methods of banking included retail store fronts, call center, online through dial-up connections, physical check issuance, debit cards for access to account information and ATMs.
- In 2019 TFCU's methods of banking include retail store fronts, call center, online bill payment, Automated Clearing House (ACH) transactions, mobile banking, debit cards (to make purchases as well as for use at ATMs and in branch transactions), mobile check deposit, Check 21 Regulations – same day and next day availability of checks and processing of checks electronically as opposed to physical delivery, and ITMs (Interactive Teller Machines).
- In 1999 TFCU's Regulatory & Compliance Risk statutes BSA/AML (new), Sanctions.
- In 2019 TFCU's Regulatory & Compliance Risk statutes BSA/AML (expanded), Sanctions (expanded), USA Patriot Act, Right to Financial Privacy, Regulation CC Check 21 implementation, and Consumer Financial Protection Bureau (CFPB) established.
- In 1999 topics of concern included Y2K and IT Issues.
- In 2019 Topics of concern include identity theft, human trafficking, state-sponsored terrorism, terrorist financing, hacking and penetration of IT systems, including denial of service attacks.

I have spent ten of the last twenty years as Chairman of the Supervisory Committee, and during that time the risks to banks, credit unions, and TFCU has increased exponentially, yet the role of the committee has not changed.

Some of the responsibilities of the Supervisory Committee include:

- 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.

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 knowing the credit union's financial performance and operations are regularly evaluated for continued safety and soundness.

We, the committee, 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 2019.

In conclusion, speaking for the Supervisory Committee and myself as Chairman, we would like to thank Mr. Allen for his insight, expertise, and knowledge. Over the years we haven't always agreed, but we always reached a resolution, and that's the way it is supposed to work. We wish you only the very best in your retirement!

James F. Nohe
Chairman