

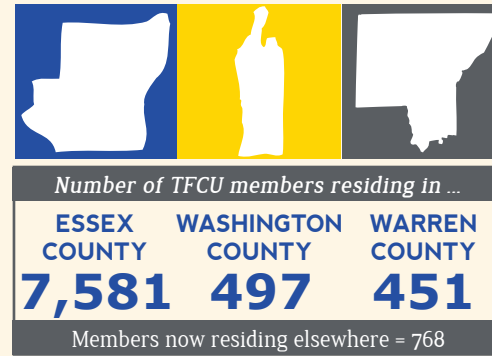
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

| | Dec. 31, 2013 | Dec. 31, 2014 |
|--|------------------------|------------------------|
| ASSETS | | |
| Loans to Members - Net | \$32,149,119.29 | \$31,243,322.98 |
| Cash | \$2,781,471.02 | \$2,427,810.51 |
| Investments | \$50,136,357.64 | \$53,270,011.40 |
| Land & Buildings Net | \$3,049,868.93 | \$2,974,769.88 |
| Other Fixed Assets Net | \$327,379.94 | \$312,376.03 |
| All Other Assets | \$1,195,928.57 | \$1,253,090.68 |
| TOTAL ASSETS | \$89,640,125.39 | \$91,481,381.48 |
| LIABILITIES AND MEMBER'S EQUITY | | |
| LIABILITIES | | |
| Shares | \$80,141,451.49 | \$81,570,651.41 |
| Accounts Payable | \$830,397.11 | \$666,618.58 |
| Other Liabilities - Corporate Stabilization Assessment | \$0.00 | \$0.00 |
| TOTAL LIABILITIES | \$80,971,848.60 | \$82,237,269.99 |
| MEMBERS EQUITY | | |
| Regular Reserve | \$1,771,485.44 | \$1,771,485.44 |
| Other Reserves | \$3,202,530.03 | \$3,202,530.03 |
| Undivided Earnings | \$4,592,163.32 | \$4,316,387.93 |
| Accumulated Gain/(Loss) on Available for Sale Securities | (\$278,561.00) | (\$46,291.91) |
| Accumulated Other Comprehensive Income / (Loss) Note 2 | (\$619,341.00) | \$0.00 |
| TOTAL EQUITY | \$8,668,276.79 | \$9,244,111.49 |
| TOTAL LIABILITIES & EQUITY | \$89,640,125.39 | \$91,481,381.48 |
| EARNINGS & DISTRIBUTION OF FUNDS | | |
| OPERATING INCOME | | |
| Interest on Loans | \$2,414,429.28 | \$2,417,250.59 |
| all Other Operating Income | \$1,980,165.00 | \$2,025,935.95 |
| TOTAL OPERATING INCOME | \$4,394,594.28 | \$4,443,186.54 |
| OPERATING EXPENSES | | |
| Compensation & Benefits Note 2 | \$1,619,710.66 | \$1,510,234.41 |
| Office Operations | \$614,198.47 | \$589,821.75 |
| Office Occupancy | \$305,212.65 | \$337,117.62 |
| Members Insurance | \$0.00 | \$0.00 |
| Association Dues | \$23,558.15 | \$20,399.99 |
| Loan Servicing | \$157,027.57 | \$150,969.15 |
| Member Education/Advertising/Promotion | \$95,562.79 | \$75,275.49 |
| Professional & Outside Services | \$807,028.77 | \$853,353.38 |
| Interest on Borrowed Money | \$45.55 | \$74.49 |
| Federal Examination Fee | \$19,167.77 | \$14,940.65 |
| Annual Meeting Expense | \$9,415.87 | \$8,960.98 |
| Travel & Conference | \$35,889.39 | \$29,610.77 |
| Miscellaneous Expenses | \$86,865.49 | \$118,801.25 |
| TOTAL OPERATING EXPENSE | \$3,773,673.13 | \$3,709,559.93 |

| | Dec. 31, 2013 | Dec. 31, 2014 |
|---|----------------------|-----------------------|
| Income / (Loss) From Operations Before Dividends | \$620,921.15 | \$733,626.61 |
| Income / (Loss) From Sale of Investments | \$30,345.83 | (\$490.00) |
| CUNA Experience Refund | \$0.00 | \$37,563.00 |
| NCUSIF Recapitalization | \$0.00 | \$0.00 |
| NCUSIF Stabilization Expense | (\$41,391.53) | \$0.00 |
| Pension Plan Termination Expense NOTE 2 | \$0.00 | (\$630,944.38) |
| TOTAL NON-OPERATING INCOME / (EXPENSE) | (\$11,045.70) | (\$593,871.38) |
| Total Income Before Dividends | \$609,875.45 | \$139,755.23 |
| Less Dividends | \$390,661.50 | \$238,180.23 |
| Provision for Loan and Share Losses | \$188,697.64 | \$177,350.39 |
| NET INCOME (LOSS) INCLUDING PENSION PLAN TERMINATION EXPENSE | \$30,516.31 | (\$275,775.39) |
| NCUSIF Stabilization Expense | \$41,391.53 | \$0.00 |
| Pension Plan Termination Expense NOTE 2 | \$0.00 | \$630,944.38 |
| NET INCOME (LOSS) EXCLUDING PENSION PLAN TERMINATION EXPENSE | \$71,907.84 | \$355,168.99 |

Note 1: The financial statements presented herein are unaudited.

Note 2: For the fiscal year ended September 30, 2007, the Credit Union adopted FASB-ASC 715, Employer's Accounting For Defined Benefit Pension and Other Post-Retirement Plans (ASC 715). ASC 715 required the recognition of the plan's funded status as either an asset or a liability on the balance sheet. The reduction in the amount of Other Comprehensive Loss in 2014 is related to the termination of the pension plan that was completed during the second quarter of 2014. The entry required was \$630,944. Including this entry TFCU ended 2014 with Net Income of (\$275,775). Excluding this entry TFCU ended 2014 with \$355,169 in Net Income. The pension plan termination will allow TFCU to move forward in a more cost effective manner.



NUMBER OF WEBSITE SESSIONS FROM A SMARTPHONE OR TABLET.



130,205



60
Number of members TFCU helped receive a mortgage in 2014.

1,898

Total number of loans granted in 2014.

9 Number of electronic services to be introduced at TFCU in 2015. *You'll love what's new at TFCU.*



292
Number of new and used car loans granted in 2014.

MAINTAINING FINANCIAL SECURITY

OUR MISSION

To enhance the lives of our members by offering a full range of convenient and economical services while maintaining financial security.

OUR CORE VALUES

INTEGRITY SERVICE
FINANCIAL STRENGTH COMMUNITY

Ticonderoga Federal Credit Union | www.tfcunow.com | (518) 585-6725 | memberservice@tfcunow.com

OUR MEMBERSHIP

TFCU is chartered to serve our friends and neighbors who live, work, worship, attend school in, or businesses or legal entities located in Essex and Washington Counties and Towns of Hague, Horicon and Chester.

Also eligible: immediate family members of those eligible, persons sharing a household and organizations of such persons.



Ticonderoga
Federal Credit Union

Members make the difference

2014 ANNUAL REPORT

PROVIDING CONVENIENT AND ECONOMICAL SERVICES

5,202

Members enrolled in online banking



2,204

e-members received TFCU news and event information via e-mail.



2,600

Dollars provided in TFCU student scholarships.



ENHANCING LIVES



70

Number of charities/community organizations/schools TFCU supported through monetary or in-kind donations.

30

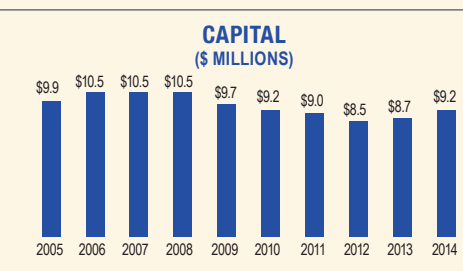
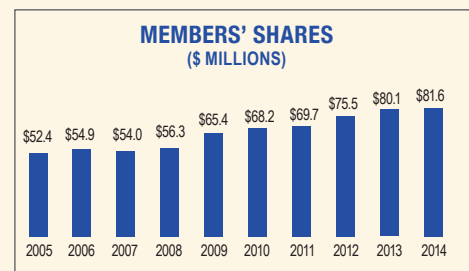
Attended a TFCU financial education workshop.

909

Number of new accounts opened in 2014.

60

NUMBER OF YEARS TFCU HAS BEEN SERVING MEMBERSHIP



2015 ANNUAL MEETING AGENDA

1. Call to Order
2. Minutes of the 2014 Annual Meeting
3. Chairperson's Report
4. Supervisory Committee Report
5. President's Report
6. Old and New Business
7. Elections
8. Adjournment

YOUR LEADERSHIP TEAM

BOARD OF DIRECTORS

Ralph J. Corbo, *Chairman*
Richard T. Malaney, *1st Vice Chairman*
Peter A. Reale, *2nd Vice Chairman and Secretary*
Shawn M. Hayes, *Treasurer*
Francine L. Burke
Anne C. Dreimiller
John F. Lenhart
Patrick J. Graney
David W. Baird

SUPERVISORY COMMITTEE

Patrick J. Graney, *Chairman*
Richard J. Carpenter Sr.
William J. Morse

CHAIRMAN'S REPORT



As was reported to you last year, the post-recessionary period that continues to play out has brought challenges and opportunities to TFCU. The economy was and indeed continues to be in a period of recovery. There are positive signs and gains have been achieved but there is still much to do. It took time for global and national economic conditions to deteriorate and it will take time for them to strengthen.

At TFCU, our mission is to enhance the lives of our members by offering a full range of convenient and economic services while maintaining financial security. Our commitment to this mission is paramount and unwavering. Staying true to that mission sometimes requires difficult decisions. Your trust

in your directors is well founded as they exercised great courage and resolve in implementing several initiatives beginning in 2011 continuing into 2014 designed to keep us true to our mission by returning TFCU to a profitable state so that we could again, begin to build upon the capital that was instrumental in helping weather the impact of the Great Recession and recovery period. Capital that is also vital to on-going operations and the delivery of the products and services that we provide to you.

Last year, I reported that the results of those decisions were quite positive in that we turned the corner and posted net income for 2012 and 2013. Those positive results continued in 2014. As one example, knowing what they and the staff stood to lose in long term benefits, the leadership team placed the best interests of the credit union and the membership

ahead of their own in recommending the termination of the defined benefit pension plan. I am grateful to them for their commitment in providing full, clear and sometimes difficult recommendations and reporting on our initiatives and decisions.

Based on an accounting entry necessary to terminate the pension plan, we recorded a loss of \$275,775 for 2014. However excluding that one-time entry, the credit union would have posted net income of \$355,169 for the year ending 2014. Additionally, from December 2013 to December 2014, Assets increased \$1.8M or 2.05%, Shares increased \$1.4M or 1.78%. Loans ended the year at \$31,613,525, not counting the \$2,595,239 in long-term, fixed rate mortgages we referred to our third-party mortgage partner to mitigate long term interest rate risk to your credit union in this low rate environment. We ended the year 2014 with a capital to assets ratio of 10.10%, well above the 7% level need to be deemed well capitalized by our regulator.

Despite the economic environment, your credit union is doing well and is financially strong. Our financial condition has improved significantly and with additional decisions made in 2014, continued

SUPERVISORY COMMITTEE REPORT



The supervisory committee is comprised of three board-appointed volunteers that serve as a link between the board, leadership team, and the membership. The committee's primary responsibility is to determine whether the plans, policies and procedures established by your board of directors are being properly administered. The audit, verification of member accounts and other tests and reviews are generally used to carry out the committee's responsibilities.

In 2014, in addition to internal ongoing reviews conducted by the committee, your credit union was reviewed three times by two different independent sources. The first was the annual Supervisory Committee audit. Wojeski & Company, an independent certified public accounting firm, was engaged to audit your credit union's financial statements while also reviewing procedures, policies, internal controls and management practices.

improvement is expected in 2015 and beyond.

I want to thank the board for their courage, resolve and depth of understanding of the issues facing our credit union and our movement. I am proud of our directors for remembering at all times who we serve which is you, the members who elected us.

In closing my Chairman's report, I want to remind you that economic cycles are nothing new. We have been through them before and it is a near certainty that we will over time see them again. We need to be mindful and indeed have seen over the past four years that they do not begin and end all at once. I ask for your continued patience in the years to come because while we have begun to see improvement in many economic areas, it will continue to take time. Thank you for your faith in us. You can depend on our very best effort as we serve you in the months and years to come.

Respectfully submitted,

Ralph J. Corbo, Chairperson
Board of Directors, TFCU

The second review was also conducted by Wojeski and Company and consisted of an audit of our compliance with the Bank Secrecy Act related to the detection and prevention of money laundering.

The third was a thorough examination by our governing agency that insures your shares, the National Credit Union Administration (NCUA).

We are happy to report that your credit union received excellent marks in all three instances. Your funds are safe here at TFCU, and we are committed to maintaining that level of safety and soundness.

As a member, if you have any questions or suggestions concerning the credit union, please contact the committee at P.O. Box 308, Ticonderoga, NY 12883.

Patrick J. Graney – Chairperson
Member, Board of Directors

PRESIDENT'S REPORT



I have great appreciation for the directors for the courage displayed in implementing several initiatives beginning in 2011, designed to keep us true to our mission by returning TFCU to a profitable state. As the Chairperson noted

in his report, we continue to see positive results from those initiatives to the extent that we turned the corner in 2012, ending the year with net income of \$22,379 and \$98,842 inclusive and exclusive of the corporate stabilization expense respectively. Similarly, we ended 2013 with net income of \$30,516. It should be noted that our year end 2013 results include the impact of the NCUA Corporate System Resolution (stabilization fund) Program. Excluding contributions to that program, TFCU would have posted net income of \$71,908. The stabilization fund was created in 2009 to resolve the corporate credit union crisis. Since then, all Federal Credit Unions have been required to pay special assessments into this fund to offset the costs associated with stabilizing the corporate credit union system. Based on the strength of the stabilization fund, the NCUA's continued recoveries from Wall Street firms responsible for the corporate crisis and an improving economy, we were notified that there would not be an assessment in 2014 which was much welcomed news and helped our year-end financial results. Though the stabilization fund will not expire until 2021, the lack of an assessment in 2014 and word that there would not be an assessment in 2015 are positive signs that they may end sooner.

Another significant initiative that drove positive results in 2014 was the elimination of our defined benefit pension plan. Late in 2013, I recommended to the Retirement Plan Trustees and the Board of Director's that we freeze and terminate our Defined Benefit Retirement Plan, a difficult decision affecting each employee of the credit union. The pension plan however had been extremely expensive to maintain. The process of returning to long term, sustained profitability involves making difficult decisions centered on balancing expense reduction and income generation with service delivery and cost effective, efficient operations. The termination of the plan saved the credit union an estimated \$163,000 in 2014 alone and will save incrementally more than that each year into the foreseeable future.

Based on an accounting entry necessary to terminate the pension plan, we recorded a loss of \$275,775 for

2014, however excluding that one-time entry; the credit union would have posted net income of \$355,169 for the year. We ended the year 2014 with a healthy capital to assets ratio of 10.10%, well above the 7% level need to be deemed well capitalized by our regulator.

Still another initiative completed in late December 2014 was the analysis of existing and potential data processing providers. After a comprehensive period of analysis and review, we ultimately signed a new agreement with our existing data processing provider that will save the credit union approximately \$1.5 million over the next seven years, result in the upgrade of key components of our core processing platform and the delivery of several new services to you in the near future.

While we continue to have healthy capital and are seeing improvement in our financial results, there is still work to do as we watch and work with you in this new economy. Rest assured, our focus on our mission has not and will not diminish. We are ever mindful of the services that we offer and will continue to provide new and additional services as appropriate. We will do so while continuing to look for ways to make our operations efficient and cost effective, while not sacrificing service, a delicate balance whether in an "up" or "down" economic cycle.

Yes looking back, 2014 was a challenging and rewarding year. All of the decisions and changes that have been implemented have been done so to keep the credit union true to its mission and ensure its long term viability and sustainability now and into the future. TFCU has and will continue to thrive and I am looking to the future with excitement and confidence. On behalf of the board of directors, leadership team and dedicated staff, thank you for your loyalty and commitment to Ticonderoga Federal Credit Union. Members truly do make the difference. We will continue to work hard to balance our goal of maintaining financial security with our desire to continue to provide cost effective, competitive products and services as efficiently as and with the best service possible.

Shawn M. Hayes, CCUE, CUCE
President & Chief Executive Officer
Treasurer – Board of Directors