



Reaching new
heights!

What matters to you, matters to us. We believe in doing the right things for our members as you travel the path to financial success. Our mission to build better lives not only has fostered growth, but has also provided something greater – the satisfaction of making a difference.

ANNUAL REPORT 2016



We're Not A Bank. We're Better!

At TEG Federal Credit Union, our members' best interests have always been our focus. We've stayed true to our original commitment of offering our members a better alternative to banks, and we're proud to serve our growing field of membership with practical advice, realistic solutions, and a smile.

Today, we're proud to be able to continue to be a great partner to the communities we serve! We believe in having members for life, which means we'll be there for you through both the good times and the challenging times. We know that you're more than just a number, so when you need a loan we'll take the time to understand your story and look for ways to help you instead of just focusing on your credit score. And if we're not able to help you right away, we will work with you to develop a plan so that we can help you in the very near future. **Talk to us.**

Member Services

TEG Federal Credit Union is a local, member-owned, not-for-profit, full-service community financial institution open to all those who live, work, worship or attend school in Dutchess, Orange, and Ulster county. Since 1969, TEG has been a steady source of financial services for over 29,000 members including a wide range of Consumer and Business Loans, as well as Free Checking and many other Consumer and Business deposit account options.

Consumer Deposits

- Free Checking
- Regular Share (Savings Account)
- Share Certificates & Individual Retirement Accounts (IRAs)
- Money Market Account
- Holiday Club Accounts

Consumer Loans

Apply In-Person, Online, Or Over The Phone!

- New/Used Vehicle Loans
- Boat/Motorcycle/RV/Camper Loans
- First Mortgage Loans & Mobile Home Financing
- Home Equity Lines Of Credit
- Personal & Debt Consolidation Loans
- Share/Certificate Secured Loans
- MasterCard® Platinum Credit Cards

Convenience Services

- Reach A Live Person 24 Hours A Day, 7 Days A Week Through Our Call Center
- Free Online Banking At www.tegfcu.com That Includes:
 - Apps for iPhone®, iPad®, and Android™ with Mobile Check Deposit, Bill Pay, eStatements, Mobile Web & Text Banking, External Funds Transfer, and MoneyDesktop Personal Finance Manager
- Call24 Audio Response Telephone Banking System
- MasterCard® Debit Card
- Payroll Deduction/Direct Deposit/ACH
- Overdraft Privilege
- 24-Hour ATM Machines Available At All TEG Locations

Retirement & Advisory Services

- We Can Help Members:
 - Build A Base Of Insurance Protection
 - Accumulate Retirement Assets
 - Manage Investments
 - Retirement Income & Estate Planning

Business Services

- Business Lending
 - Term Loans
 - Revolving & Non-Revolving Lines Of Credit
 - Commercial Real Estate Loans
 - MasterCard® Business Credit Cards
- Business Deposits
 - Free Business Checking
 - Business Savings
 - Business Money Market
- Convenience Services
 - Online Banking
 - MasterCard® Business Debit Card
 - Merchant Services



President's Message

TEG Federal Credit Union is committed to doing the right things in the right way for you, our members. Every day, people from all walks of life come through our doors and we do our best to work with them in a positive way to create a roadmap to success. Our purpose is to serve our members, and together we are making a difference. We've grown to a full-service credit union serving over 29,000 members throughout Dutchess, Orange, and Ulster Counties.

Thanks to your continued participation, we recorded another strong year of growth and now approach \$264 million in assets. Our lending and deposits were both up, indicating that we are doing the right things. You, our members, have shared that you are more confident in purchasing cars and homes, and better able to save for the future. We're glad you are doing well because we have a vested interest in your success, just as you have a vested interest in ours. We offer all of the products and services that the big banks offer with the peace of mind knowing that you are dealing with someone local, someone you know and trust to do the right thing.

The world of technology is always changing and we are continually evolving to better serve you. In 2016, we successfully took on a major undertaking by converting our core computer system over to a new system which will make us much more efficient and better able to serve you with the products and services that you need and expect from financial institutions. Going forward into 2017, TEG will be upgrading our mobile banking platform, making it easier and more convenient for you to manage your financial life on your own terms.

We finally opened our newest branch at 1145 Route 9, which is at the intersection of Route 9 and Smithtown Road in the summer of 2016. Our new branch is complete, looks beautiful, and is open for business. We appreciated your patience with this project and hope you like the final product. We have now also relocated our Solutions Center to the former Old Route 9 branch location, adding staff and expanding hours of operation there. So now when you call in, you can be confident that you are talking with someone local who can help you.

TEG has a unique perspective; we approach things differently - certainly differently than the banks - and even differently from other credit unions. We're not a one-size-fits-all organization and that's what sets us apart. We are committed to our lending program that looks at our members as individuals, each with a different story to tell, and understand that bad things sometimes happen to good people. We evaluate potential loans on a case-by-case basis and look at the whole picture, not just your credit score. If you think you won't be approved for a loan, please have a conversation with us first. If we're not able to help you right away, we'll tell you, but we'll also give you a plan that you can follow so we'll be able to help you in the near future.

To us, being a full service financial institution means doing more than simply providing financial products and services. That's why we give back to our community in a variety of ways. From supporting local charitable organizations to getting involved in making a difference for the towns that we serve, TEG employees take pride in community service. Through the spirited support of our TEG staff and members, the credit union raised a substantial amount of money for various local organizations throughout the year. Our employees took part in many other activities throughout our community to spread awareness of TEG and the great benefits that our credit union has to offer its members.

I would like to say thank you to all of our members for your continued support, especially to all of those who referred new members to us this year. We truly appreciate when you tell your friends, family, and colleagues about us. TEG is successful because you, our member-owners, continue to trust us to fulfill your financial needs. Your referrals help us grow and I sincerely thank you for that!

Sincerely,

Ronald A. Flaherty, President & CEO

Executive Management



Ronald A. Flaherty
President/CEO



Tom Gay
Chief Financial Officer

Senior Management Team

Darryl Mauck, *VP Lending, Collections, & Risk Mitigation*

Jackie Fellin, *VP Commercial & Residential Lending*

Jean Riordan, *VP Retirement & Advisory Services*

Keith Kurman, *VP Branch Sales, Service, & Operations*

Elaine Lacy, *Director of Marketing*

Fiona Miceli-Smarrito, *Director of Human Resources*

Peter Olson, *Director of Information Technology*

TEG Branch Managers

Cory Shapiro..... Commerce Street – Main Office

Denise Soto College Center

Stephannie Shad Hyde Park

Ashley Chan..... Newburgh

Michelle Rodriguez Solutions Center

Michael Bethel..... Route 9, Wappingers Falls

James Lentz Route 376, Fishkill Plains & Beekman

Supervisory Committee Report

The Supervisory Committee is a group of volunteer members appointed by the Board of Directors. We are responsible for safeguarding member assets through fair and accurate representation of the membership and ensuring that your credit union's operations conform to the Federal Credit Union Act and the rules and regulations of the National Credit Union Administration (NCUA). The Committee's responsibilities include retaining services for an annual report on the financial condition of the credit union, coordinating the verification of member accounts and monitoring the review of internal controls, compliance with laws and regulations, and code of conduct activities.

As part of fulfilling its duties, the committee engaged the independent accounting firm Wojeski & Co. to conduct an audit of activities. This audit was completed for the year ending December 31, 2016. We are pleased to report that no anomalies were found and the credit union adhered to all rules and regulations during 2016 and conducted its

affairs in a most satisfactory manner. Records were maintained in accordance with prescribed standards and accounting practices and were found to be current, accurate, complete, and in balance at all times during the year.

The Supervisory Committee feels that the internal control policies and procedures in place will help keep your credit union safe and sound. We, the Supervisory Committee, are pleased to report that TEG Federal Credit Union is financially sound and is in compliance with all applicable rules and regulations.

We look forward to continued cooperative efforts in the future and thank our members for choosing to conduct their financial business with TEG.

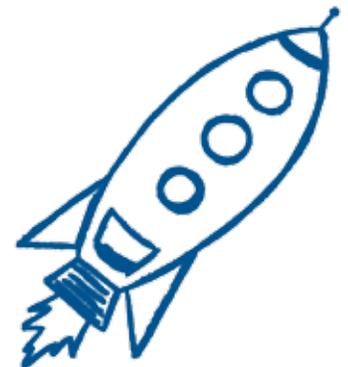
Sincerely,

Edward Hotaling, Supervisory Committee Chairman

Financial Report Charts



**Please note that in 2012 we began to include joint account holders as individual members which accounts for the large increase in membership.*



Financial Statements | Statements Of Financial Condition – December 31, 2016 And 2015

	2016 Actual	2015 Actual
ASSETS		
Total Loans	\$179,822,494	\$168,183,560
Less: Allowance for Loan Losses	(\$1,020,002)	(\$1,067,732)
Cash and Cash Equivalents	\$3,136,271	\$2,942,939
Total Investments (Book Value)	\$58,455,884	\$48,747,597
Land and Buildings	\$5,170,473	\$4,185,183
Other Fixed Assets	\$2,358,392	\$1,757,630
NCUA Share Insurance Fund	\$2,291,961	\$2,032,952
Other Assets	\$13,622,001	\$13,970,025
Total Assets	\$263,837,474	\$240,752,154
LIABILITIES		
Accounts Payable and Other Liabilities	\$5,280,895	\$2,865,760
SHARE AND EQUITY		
Total Shares and Deposits	\$238,435,409	\$218,721,338
Regular Reserves	\$2,075,649	\$2,075,649
Unrealized Gain (Loss) on Investments	(\$198,822)	(\$165,681)
Undivided Earnings	\$18,244,343	\$17,255,088
Total Liabilities and Equity	\$263,837,474	\$240,752,154

Statements Of Operations For The Years Ending – December 31, 2016 And 2015

EARNINGS		
Interest on Loans to Members	\$10,078,125	\$9,321,671
Income from Investments	\$680,673	\$474,739
Fee Income	\$3,313,918	\$3,216,264
Other Income	\$1,698,676	\$1,746,380
Total Earnings	\$15,771,392	\$14,759,054
EXPENSES & OTHER		
Operating Expenses	\$13,392,337	\$12,032,503
Gain/Loss on Sale of Assets	\$980	
Gain/Loss on Investments	\$0	(\$2,890)
Other Non-Operating Income/Expense	\$0	(\$30,079)
Total Expense & Other	\$13,393,317	\$11,999,534
Income Before Cost of Funds	\$2,378,075	\$2,759,520
Dividends Paid to Members	\$1,171,764	\$945,567
NET INCOME		
Distribution of Net Earnings	\$1,206,311	\$1,813,953
Regular Reserve Accounts	\$0	\$0
Undivided Earnings	\$1,206,311	\$1,813,953
Total Earnings	\$1,206,311	\$1,813,953
NOTE:		
Total Lines of Credit Available	\$31,412,305	\$28,526,664
Total Gain (Loss) on Investments Available for Sale	(\$198,822)	(\$165,681)

Minutes Of The 47th Annual Meeting

The 47th Annual Meeting was held on Thursday, March 31, 2016 at the main office, 1 Commerce Street, Poughkeepsie, NY 12603.

I. Call to Order

Mr. Walter V. Behrman, Jr., Board Chairman, called the 47th Annual Meeting to order at 5:37 P.M. and asked everyone to rise for the pledge to the flag. The Secretary, Mr. Frank LaRose, confirmed that we had a quorum.

II. Minutes

A copy of the minutes of the 46th Annual Meeting is in the 2015 Annual Report. Mr. Andrew Krayewsky made the motion to approve the minutes and it was seconded by Ms. Joyce Betros. They were unanimously approved by those assembled.

III. Chairman's Remarks

Mr. Behrman began his remarks:

"My name is Walter Behrman and I am Chairman of the Board of Directors. Other Board Officers are Paul Goldstein, Vice Chairman; Jesse Doughty, Treasurer; and Frank LaRose, Secretary. Board members are Rebekah Stevens, Andrew Krayewsky, Barbara Hogan, Joshua Stratton and Joe Corrigan.

"Supervisory Committee members are Ed Hotaling, Chairperson; Vicki Nameth; Ann Boehm; Joe Lombardi; and Bill McCabe.

"I would be remiss if I didn't mention that Keith Kurman, VP of Branch Sales, Service & Operations and James Lentz, Beekman Branch Manager, were nominated and will subsequently be honored with a "40 under 40" award. This is a great honor for them and certainly for the credit union since it recognizes the outstanding work that each of those gentlemen represent. The "40 under 40" is a program of the Dutchess County Regional Chamber of Commerce to recognize outstanding individuals within the Dutchess County Business community. We are very proud to have these gentlemen on our team helping to provide the superior service we strive to give every day.

"As you are well aware, we are in the midst of a very contentious political primary season which leads us to nominating an individual to run for the office of President of the United States. There is a lot of confusion and angst in the country and among the population about this. Right here at TEG we have our own angst but it was all self-imposed. If you were at the Annual Meeting last year you remember from my remarks that we have chosen a new core banking system and we will be completing that upgrade at the beginning of May. All of last year, and now beginning the final month before the actual conversion is to take place, our staff has been diligently working to make the transition as painless and as 100% accurate as possible. Mr. Ronald Flaherty, our CEO, and Mr. Peter Olson, Director of IT, are the lead individuals on this major undertaking. There is a certain level of angst as there would be with such a major undertaking, but I MUST EMPHASIZE AND ASSURE YOU THAT OUR STAFF HAS DONE AN OUTSTANDING JOB GETTING READY FOR THIS CONVERSION. Over the last year all of our staff has been involved. Currently they are being trained on the new system so when we open on Tuesday, May 3rd we will hit the ground running and all of our staff

will be fully up to speed on the new system. But let me go back in time. All of 2015 has been spent working on getting things ready for the conversion. Our current procedures had to be incorporated into the new system or we had to conform to the way the new system works, which might be different from what we currently do. One simple change will be the use of deposit tickets which we have not been using recently. Every single procedure, report and account needed to be investigated. Simple things, like how interest is calculated and reported, have to be checked and verified. We have dozens and dozens of different accounts -- savings, checking and loans -- and there are many variables within each category that need to be checked. Simple things like a home address needed to be verified. For example, a couple moved and updated their address but for some reason it was changed on one account but not the other. All this takes time and many people have been working to get all of that information to be consistent. Just in the business loan area, there are many variations that needed to be checked and confirmed. Our senior managers have taken a major role as it concerns their departments and this goes down the line so everyone involved knows what is happening and can be familiar with the new system.

"D" day is Friday, April 29th and if dedication and hard work are an indicator of how this will all play out, I am quite certain that we will have an almost flawless conversion, and you, our members, will be totally unaware of what happened upstairs. There will be changes you become aware of as you use the new system, but we are confident those changes will be for the better and offer more protection and be more convenient to use. We will also be introducing new and more convenient banking options that tech savvy members will be delighted with.

"Lots of things have happened this last year besides the work getting ready for the conversion. We implemented a Fair Lending policy and have added 17 new indirect car dealers. We now have 72 dealers which makes it easier for TEG members to buy a car and get a loan right at the dealer. The Collections and Loss Mitigation department has continued the "Member Assistance Program" for financial hardships which helps our members in need. With residential lending we have the ability to originate mortgages that make sense even if the borrowers don't meet secondary market guidelines. This supports our overall lending strategy and helps our members who might otherwise be unable to purchase a home. We have funded over \$2.2 million dollars in commercial loans, mortgages and non-construction lines of credit. This keeps our members working and adds to the local economy.

"We have been lucky to add a new Commercial Lender, Diane Elias, to our staff. She has brought several new quality relationships to TEG. She has the experience to do full analysis and reviews for new loans as well as our existing portfolio, and she is able to devote her full attention to servicing the needs of our business and commercial clients.

"As of December we have a net new member growth of 1,775 with an average age of 40.65 years. Our overall average member age is now 46.75 where the national average member age in credit unions is around 48.5 years as the population continues to age. Our website was redesigned and it allows the site to resize automatically based on the type of device the user is on -- i.e. tablet,

phone, PC, laptop which provides a more modern, user friendly experience. We continue our Summer and Winter "Skip-A-Pay" program which some members find exceptionally helpful. We also have a "Deep Dive" program to help those struggling with credit.

"TEG has participated in and sponsored numerous community and business events which both directly and indirectly help our members and the community in which we live. Just a small sampling of such events are: Go Red for Heart Awareness Month; exhibited at the Summer Consumer Expo at the Dutchess County Fair and Business-to-Business Expo at the Mid-Hudson Civic Center; local bridal shows; the Hudson Valley Auto Show; Y2Kids; Literacy Connections Spelling Bee; and "Relay for Life." We participated in local career days and Hudson Valley Family Fest at Dutchess Stadium. TEG has sponsored and attended the Mid-Hudson Regional Hospital of Westchester Medical Center's "Taste of the Hudson Valley" event, attended events for Retirement and Advisory Services and sponsored and attended the Dutchess County Office of the Aging's "Senior Prom."

"We awarded three \$1,000 TEG-Joyce A. Betros Scholarships to area high school students and a \$1,000 scholarship to a local student at Marist College through the Hudson Valley Scholars program. There are also many other areas where TEG or our employees have volunteered as committed members of our community.

"As you can see from the cover of the Annual Report -- Members First, Financial Education, Enhancing Member Experiences and Supporting our Community -- are the corner stones of what TEG stands for. To paraphrase a line from a local jewelry store commercial, "We want to be your Financial Institution" and hope that you keep TEG as the place to go for all your financial needs."

IV. President/CEO Report

Mr. Ronald A. Flaherty introduced himself as President and CEO of TEG Federal Credit Union and welcomed and thanked everyone for taking the time to attend.

He then began his remarks:

"Since TEG Federal Credit Union began serving the financial needs of our community, we've grown from a group of Wappingers Central School District teachers joining together to create a fair and equitable alternative to the banks they'd been using, to a full-service credit union serving over 27,000 members throughout Dutchess, Ulster and Orange County. We've grown by keeping our original promise to put people over profits.

"In 2015, thanks to your continued participation, we recorded the strongest year ever in the history of our credit union, exceeding \$240 million in assets. Lending and deposits were up, indicating that our members are more confident in purchasing cars and homes, and better able to save for the future. We're glad our members are doing well because we want you to be successful.

"To us, being a full service financial institution means doing more than simply providing financial products and services. That's why we give back to our community in a variety of ways. From supporting local charitable organizations to getting involved in making a difference for the towns that we serve, TEG employees take pride in community service. Through the spirited support of our TEG staff and

Board Of Directors



Walter V. Behrman, Jr.
Chairman



Paul Goldstein
Vice Chairman



Jesse Doughty
Treasurer



Barbara Hogan
Secretary



Joseph Corrigan



Frank LaRose



Joshua Stratton



Andrew Krayewsky



Rebekah
Garcia-Stevens

Supervisory Committee Members

Edward Hotaling | Joseph Lombardi | Ann Boehm | Victoria Nameth | Bill McCabe

members, the credit union raised over \$31,000 for various local organizations last year. Our employees also took part in many other activities throughout our community to spread awareness of TEG and the great benefits that our credit union can offer to its members.

"We are also still committed to our lending program that looks at our members as individuals, each with a different story to tell. We evaluate potential loans on a case-by-case basis and look at the whole picture, not just your credit score. If you think you won't be approved for a loan, please have a conversation with us first. If we're not able to help you right away, we'll tell you, but we'll also give you a plan that you can follow so we'll be able to help you in the near future.

"As you are likely aware, we have been planning to move our current Fishkill branch to 1145 Route 9, which is just up the street at the intersection of Route 9 and Smithtown Road. Our new branch is complete, looks beautiful and we are ready to open. However, we are waiting for the builder to obtain the certificate of occupancy which is necessary for us to close on this property and open to the public. This project has certainly taken much longer than expected and we appreciate your patience.

"Going forward into 2016, TEG has made an important decision to update our core banking system. We have been operating on our current core banking system since 1994. Back then, the physical branch was our main point of service. Product and services were focused around simple transactions, deposits and loans. Statements only came in the mail and if you wanted cash, you generally went into the branch to get it. Now, we have a Call Center, debit cards that can be used at point of sale, and an online banking system in which you can pay bills, make transfers and view balances electronically. You can even deposit a check from your camera-enabled mobile device!

"Though we have made many enhancements to our system along the way, we realized that we had to update it to take into account all of the technological advances that have developed, as well as prepare for those that will come in the future. We embarked upon a lengthy search for a core banking system that would provide flexibility and better integration with ancillary systems. Through extensive research, due diligence, and a committed, competent team effort, we have selected a system that will help provide

a complete picture of the member relationship across all product and delivery channels.

"So what does this mean for you? It means that when you call us, the representative helping you will have a clear picture of who you are and what products, services and channels you use, without having to go to several different systems to learn this. It means that as new technology develops and new products are introduced, we will have the flexibility to provide these more quickly and efficiently. This is a big undertaking for our team, but we are excited for this change as it gives us the power to do our jobs better, and focus on you, our members, even more than you are used to.

"The update is scheduled to occur the weekend of April 30-May 2. We will be providing you with information along the way and if at any time you have any questions we invite you to ask them. To ensure you're kept fully up-to-date about the system update, please make sure we have your current e-mail address, like our Facebook page and visit tegfcu.com for updates.

"Finally, I would like to say thank you to all those who referred new members to us this year. We appreciate when you tell your friends, family and colleagues about us and ask that you continue to do so in 2016 to help us to continue to grow. The credit union is only successful because you, our member-owners, continue to trust us with your banking needs and for that I thank you!"

V. Treasurer's Report – Mr. Jesse Doughty

Mr. Jesse Doughty, Treasurer, stated that TEG's financial statements were included in the Annual Report that was distributed to all attendees. Mr. Doughty gave the following report:

Annual Financial Condition-2015:

Total Assets.....	\$240,752,154
Total Liabilities and Equity.....	\$240,752,154
Total Earnings.....	\$14,759,054
Net Income.....	\$1,813,953
Total Members.....	27,268

VI. Supervisory Committee

Mr. Ed Hotaling, Supervisory Committee Chairperson, gave the Supervisory Committee report:

"Good evening. Our outside auditing firm Wojeski & Co., has completed the year-end financial audit of the credit union for the period ending December 31, 2015. We are pleased to report that no anomalies were found and the credit union adhered to all rules and regulations during 2015. We are proud to say that TEG is financially sound.

I would like to thank the members of the Supervisory Committee for all they do for TEG. These volunteers work hard to ensure the safety of TEG. The Committee also would like to thank the Board for their support of our mission. I would also like to thank Ron Flaherty, CEO, and Tom Gay, CFO, and all the employees of TEG for providing our members with the professional service that makes TEG great."

VII. Old Business

None

VIII. New Business

Since Mr. Behrman was up for election, he relinquished the chair to Jesse Doughty, Treasurer, to chair the meeting for the Election of Board members.

Elections: Walter Behrman, Paul Goldstein and Rebekah Stevens were each nominated for a three year term on the Board of Directors. Since there were no other nominees, Mr. Doughty requested the Secretary cast one vote for each of them.

Mr. Doughty congratulated the elected Board Members and turned the meeting back to Mr. Behrman.

IX. Questions and Answers

None

X. Adjournment

Mr. Behrman thanked Stephanie Molinelli for organizing the Annual Meeting and since there was no further business to come before the assembly he adjourned the 47th Annual Meeting at 5:55 P.M. He asked people to stay and socialize and enjoy the refreshments that are provided.

Respectfully submitted,

Frank LaRose

Secretary



Conveniently Located To Serve You

Poughkeepsie – Main Office

1 Commerce Street, Poughkeepsie, NY 12603

Beekman

Town Plaza, 2540 Route 55, Poughquag, NY 12570

Hyde Park

4282 Albany Post Road, Hyde Park, NY 12538

Newburgh

16 North Plank Road, Newburgh, NY 12550

Poughkeepsie – College Center

11 Marist Drive, Poughkeepsie, NY 12601

Route 9 – Wappingers Falls

1145 Route 9, Wappingers Falls, NY 12590

Route 376 – Fishkill Plains

Nesheiwat Square, 900 Route 376, Wappingers Falls, NY 12590

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