Comparative Statement of Financial Condition

TOTAL LIABILITIES & EQUITY	\$84,775,619.13	\$89,640,125.39	unauditou.
TOTAL EQUITY	\$8,508,025.24	\$8,668,276.79	Note 1: The fi unaudited.
Income / (Loss) Note 2	(\$1,043,821.00)	(\$619,341.00)	
Accumulated Other Comprehensive		(¢270,001.00)	
Accumulated Gain/(Loss) on Available for Sale Securities	\$16,183.76	(\$278,561.00)	
Undivided Earnings	\$4,561,647.01	\$4,592,163.32	
Other Reserves	\$3,202,530.03	\$3,202,530.03	CORPORATE STAE
Regular Reserve	\$1,771,485.44	\$1,771,485.44	NET INCOME (LOSS)
MEMBERS EQUITY			NCUSIF Stabilization E
TOTAL LIABILITIES	\$76,267,593.89	\$80,971,848.60	CORPORATE STABILIZ
Stabilization Assessment	\$21,112.06	\$0.00	NET INCOME (LOSS) IN CORPORATE STABILIZ
Other Liabilities - Corporate		····	Share Losses
Accounts Payable	\$758.647.60	\$830.397.11	Provision for Loan and
LIABILITIES Shares	\$75.487.834.23	\$80.141.451.49	Total Income Before Di Less Dividends
LIABILITIES AND ME	MRER'S FOU	ITV	
TOTAL ASSETS	\$84,775,619.13	\$89,640,125.39	INCOME/(EXPEN
All Other Assets	\$875,553.76	\$1,195,928.57	TOTAL NON-OPE
Other Fixed Assets Net	\$378,753.25	\$327,379.94	NCUSIF Recapitalizati NCUSIF Stabilization I
Land & Buildings Net	\$3,110,660.42	\$3,049,868.93	CUNA Experience Ref
Investments	\$45,202,995.17	\$50,136,357.64	of Investments
Cash	\$2,413,595,61	\$2,781,471,02	Income / (Loss) From S
Loans to Members - Net	\$32,794,060,92	\$32,149,119.29	Before Dividends
ASSETS	Dec. 31, 2012	Dec. 31, 2013	Income / (Loss) From C

EARNINGS & DISTRIBUTION OF FUNDS

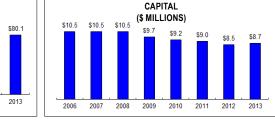
OPERATING INCOME		
Interest on Loans	\$2,405,241.42	\$2,414,429.28
all Other Operating Income	\$1,905,548.23	\$1,980,165.00
TOTAL OPERATING INCOME	\$4,310,789.65	\$4,394,594.28
OPERATING EXPENSES		
Compensation & Benefits	\$1,467,374.66	\$1,619,710.66
Office Operations	\$647,950.00	\$614,198.47
Office Occupancy	\$281,380.25	\$305,212.65
Members Insurance		
Association Dues	\$20,380.10	\$23,558.15
Loan Servicing	\$167,456.22	\$157,027.57
Education/Advertising		
Promotion	\$95,761.66	\$95,552.79
Professional & Outside		
Services	\$719,194.30	\$807,028.77
Interest on Borrowed Money	\$15.89	\$45.55
Federal Examination Fee	\$17,890.30	\$19,167.77
Annual Meeting Expense	\$13,380.31	\$9,415.87
Travel & Conference	\$54,694.18	\$35,889.39
Miscellaneous Expenses	\$82,953.00	\$86,865.49
TOTAL OPERATING EXPENSE	\$3,568,430.87	\$3,773,673.13

			/IBERS' (\$ MILLI	SHARE ONS)	S		
\$54.9	\$54.0	\$56.3	\$65.4	\$68.2	\$69.7	\$75.5	\$80.1
2006	2007	2008	2009	2010	2011	2012	2013

NET INCOME (LOSS) EXCLUDING CORPORATE STABILIZATION	\$98,842.96	\$71,907.84
NCUSIF Stabilization Expense	\$76,463.52	\$41,391.53
NET INCOME (LOSS) INCLUDING CORPORATE STABILIZATION	\$22,379.44	\$30,516.31
Provision for Loan and Share Losses	\$210,593.03	\$188,697.64
Less Dividends	\$469,896.98	\$390,661.50
Total Income Before Dividends	\$702,869.45	\$609,875.45
INCOME / (EXPENSE)	(\$39,489.33)	(\$11,045.70)
TOTAL NON-OPERATING		/
NCUSIF Stabilization Expense	(\$76,463.52)	(\$41,391.53)
NCUSIF Recapitalization	\$0.00	\$0.00
CUNA Experience Refund	\$30,974.19	\$30,345.85 \$0.00
Income / (Loss) From Sale of Investments	\$36,974,19	\$30.345.83
Before Dividends	\$742,358.78	\$620,921.15
Income / (Loss) From Operations	Dec. 31, 2012	Dec. 31, 2013

Note 1: The financial statements presented herein are unaudited.

Note 2: For the fiscal year ended September 30, 2007, the credit union adopted FASB Statement No. 158, Employer's Accounting for Defined Benefit Pension and Other Post-Retirement Plans (SFAS 158). SFAS158 requires 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 2013 is related to the pending termination of the pension plan currently in process and anticipated to be completed during the second quarter of 2014.





INUAL PORT

~ Celebrating 60 Years! ~







2014 Annual Meeting Agenda

1. Call to Order 2. Minutes of the 2013 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 & 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 Carpenter Sr.

MANAGEMENT TEAM

Shawn M. Haves, President & CEO Pamela J. Nolan, Chief Operating Officer Jon Savio, Chief Financial Officer Karen M. Bennett, Director of Lending Amy M. Manfred, Executive & Human Resources Administrator

LEGAL COUNSEL

Patrick J. Carney, Esg. John C. Breitenbach Jr., Esg.

SECURITY OFFICERS

Peter A. Reale Shawn M. Haves

Supervisory Committee Report



The supervisory committee is comprised of board-appointed volunteers who serve as a link between the board, management, and 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 2013, 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.

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.

VA Muney

Patrick J. Graney - Chairpersor Member, Board of Directors

President's Report



Despite the seriousness of economic conditions facing world, national and local economies over the past several years, 2013 was a challenging yet rewarding year for TFCU. I was saddened at the loss of long time Director Richard Arthur in December of last year. I am grateful to

have the confidence of a dedicated and knowledgeable Board of Directors, encouraged by conversations I have had with many of our loyal members and inspired by the commitment of our fine leadership team and staff.

Much has been accomplished over these many months as we've worked diligently to reduce expenses and generate the income necessary to maintain and build upon the capital that has been so important in weathering the storm of the Great Recession and period of economic recovery that is still underway. As importantly, we have not forgotten what we believe is a hallmark of the credit union movement that is our desire to provide the highest level of service possible to you our loyal members.

I have great appreciation for the directors for the courage displayed in implementing several initiatives beginning in 2011 and continuing into 2013, 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 after weathering three years of losses, we ended 2012 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 and capital of 10.4% much more than the 7% needed to be considered to be well capitalized by our regulator. 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 have been notified that there will not be an assessment in 2014 which is much welcomed news and will help our year-end financial results. Though the stabilization fund will not expire until 2021, the lack of an assessment in 2014 is a positive sign that they may end sooner.

Another significant initiative that will drive positive results this year is the elimination of our defined benefit pension plan. Late last year, I recommended to the retirement Plan Trustees and the Board of Director's that we freeze and terminate our Defined Benefit Retirement Plan. As was the decision with the ATM machines that affected members, this decision affecting each and every employee of the credit union was also very dif-

ficult. The pension plan however has 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 will save the credit union an estimated \$163,000 in 2014 alone and incrementally more than that each year into the foreseeable future. Employees will certainly see an impact in that there will be no additional benefits accrued for future service. However employees will receive all fully accrued benefits under the plan based on service to date. Additionally, we will continue to maintain a defined contribution (401k) retirement plan to which employees can continue to make contributions through payroll deduction. Furthermore, with a change authorized by the Board late last year, participating employees began to receive matching contributions to the 401(k) plan beginning in January. The process to terminate the defined benefit retirement plan began in late October last year and is anticipated to be complete within the second quarter of this year.

Still another initiative that is expected to reduce expenses is the analysis of existing and potential data processing providers. We are in the final stages of reviewing proposals and pricing and expect to save at least \$100K per year over a multi-year period as a result of the review and negotiation process.

While we continue to have healthy capital and are beginning to see some improvement in our financial results, there is still work to do as we watch and work with you through the economic recovery. 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, 2013 was a challenging and rewarding year. 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 vour lovalty 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.

Alaun M. Hays

Shawn M. Haves, CCUE, CUCE President & Chief Executive Officer Treasurer - Board of Directors

Chairman's Report



will be greatly missed.

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 2013 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 after weathering three years of losses, we turned the corner and posted net income for 2012. Those positive results continued in 2013 as we again ended the year with net income. Additionally, from December 2012 to December 2013, Assets increased \$4.9M or 5.74%. Shares increased \$4.7M or 6.16%. Loans ended the year at \$32,439,567, not counting the \$7,367,706 in longterm, 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 2013 with a capital to assets ratio of 10.4%, well above the 7% level need to be deemed well capitalized by our regulator.

Mission

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

I would like to begin my Chairman's report, by acknowledging the passing of Richard F. Arthur in December. Dick faithfully served as a director of TFCU for nearly 25 years. His contributions to TFCU's success were many and as a fellow director and friend, he

Despite the economic environment, your credit union is indeed weathering the storm. Our financial condition has improved significantly and with additional decisions made in 2013, continued improvement is expected in 2014 and beyond.

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.

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 three 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 vears to come.

Respectfully submitted,

Ralph J. Corbo, Chairperson Board of Directors, TFCU

Core Values

INTEGRITY

SERVICE COMMUNITY

FINANCIAL STRENGTH