



Teacher Federal Credit Union

Like a bank. Only smarter.

14601 27th Avenue North, Ste. 104
Plymouth, MN 55447-4819

Annual Report 2008

2008 Chairman / CEO's Report



Years from now, 2008 will be remembered for the recession and the housing crisis. Bank failures and government bailouts. TARP, TALF, and AIG. Lost amid all of this drama are the stories of stable and profitable financial institutions that continue to grow.



TFCU is one of those success stories. In 2008 our deposits grew by \$60 million, the highest level of growth ever for TFCU, and the most in percentage terms since 2001. To what do we attribute this remarkable achievement? You deserve all the credit. This success is only a reflection of the trust that you place in TFCU. With all the turmoil in today's financial world, we want you to know that we do not take your business for granted.



Unfortunately TFCU has not been totally immune to the effects of the housing crisis and the recession. Homeowners everywhere have seen their home values fall; many now owe more on their first and second mortgages than their houses are worth. As of this writing, home prices in 20 US cities have fallen 19 percent from a year earlier, the fastest drop on record. Clearly this increases the chances that a homeowner may not be able to pay their loans back. Therefore for reasons of prudence, TFCU doubled its reserve for loan losses in 2008. This increase in the reserve is not a result of investing in sub-prime

loans. It was caused by the housing crisis in general.

In spite of this increase in reserves, lending at TFCU remained strong and viable. Of the ten largest credit unions in Minnesota, TFCU's net charge offs as a percentage of loans was the fourth lowest, and loan delinquency as a percentage of loan balances was lowest overall. TFCU remains a well capitalized financial institution that can support a large menu of loan products to meet our members' needs.

Our plan for the future is to leverage our principles of education and discipline. These are core beliefs that we have shared with our members for 70 years. This economy has taught us all some important lessons. First, we need to get educated about the financial tools we are using. We all know someone who got in trouble because they didn't understand the risks in their mortgage loans. Second, everyone can benefit from the discipline of a regular savings plan. We can't control what happens in the economy but we can control our own saving and spending habits.

These are timeless values that our community holds in common, and we intend to build on this foundation. We have committed to ongoing education for our employees on matters ranging from the banking industry to personal finance so that they can better assist

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We're Here for You!

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you with your financial goals. Through a partnership with St. Cloud State University, we are providing quality education for our employees that will ultimately result in a better experience for our members. The brand messages that we communicate to the world will all revolve around these principles. The virtues of education and discipline are something that we think will resonate with a very wide audience. We look forward to promoting these virtues with a more visible presence in the community.

In a practical sense, we remain committed to improving convenience. We will open a new full-service branch in Maple Grove that will deliver the personal service you deserve. Later in 2009 we are planning to open a new branch on Lyndale Avenue in South Minneapolis. Finally, we are moving forward on our plans to replace our Golden Valley branch in early 2010. We will keep our members informed of the forthcoming changes with regular communications and updates on our website. For more information you can always visit tfcum.org, or call us at (800) 862-1998 or (763) 544-1517.

Thank you for choosing TFCU.

Sincerely,

Stephen Bohlig Matt Wohlers
Board Chair CEO

Board Members

Stephen Bohlig (chair)
Thomas J. Alagna
Roger Cersine
Tamra Matsuda
Darrick Metz
Fred Sulzbach
Phil Young

Supervisory Committee

Doug Nesbit (chair)
Roger Cersine
Kevin Gilles

Supervisory Committee Report

The Supervisory Committee has six responsibilities:

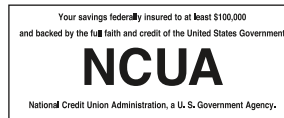
- to ensure that the financial statements accurately and fairly present the financial condition of TFCU;
- to ensure that management practices and procedures safeguard member's assets;
- to ensure that accounting records are prepared promptly;
- to ensure that internal controls are established and effectively maintained;
- to ensure that plans, policies and procedures established by the Board of Directors are properly administered; and
- to ensure that policies and control procedures have been established to safeguard against error, carelessness, fraud and self-dealing. These responsibilities are carried out with assistance from the internal audit staff. Their involvement allows for evaluating and improving the effectiveness of TFCU's risk management, control and governance processes.

The most recent audits show TFCU to be in excellent financial condition. During 2008 the committee engaged Larson, Allen, Weishar & Co., LLP, certified public accountants, to complete the annual independent audit. The audit opinion stated our financial statements fairly present our financial position in conformity with accounting principles generally accepted in the United States of America. They also concluded that no reportable conditions were noted during their audit.

In addition, the National Credit Union Administration (NCUA), an agency of the federal government, conducts examinations of credit unions on a routine basis and, as in the past, has reported TFCU's overall operations as sound.



We do business in accordance with the Federal Fair Housing Law and Equal Credit Opportunity Act.



Balance Sheet as of December 31, 2008



Assets	2008	2007
Loans to members (net)	\$ 429,054,699	\$ 429,155,032
Cash and Investments	160,215,865	99,969,288
NCUA Share Insurance Deposit	4,764,175	4,422,340
Land and Building (net)	9,154,003	9,595,596
Furniture, Fixtures, & Equipment (net)	1,119,472	1,414,684
Loans Held for Sale	1,047,259	823,978
Accrued Interest Receivable	2,682,944	2,673,651
Prepaid and Other Assets	6,630,400	3,545,971
Total Assets	\$ 614,668,817	\$ 551,600,540
Liabilities		
Dividends & Interest Payable	\$ 664	\$ 2,010
Borrowed Funds	0	0
Accounts Payable & Other Liabilities	5,000,759	4,887,387
Total Liabilities	\$ 5,001,423	\$ 4,889,397
Member Capital		
Share / Savings Accounts	\$ 78,815,259	\$ 73,586,767
Checking Accounts	76,192,584	74,968,939
MoneyFund & Daily IRAs	138,857,819	124,290,610
Certificates (including IRAs)	253,772,673	215,224,843
Total Member Capital	\$ 547,638,335	\$ 488,071,159
Reserves		
Statutory Reserve	\$ 8,861,451	\$ 8,861,451
Undivided Earnings	53,167,608	49,778,533
Total Equity	\$ 62,029,059	\$ 58,639,984
Total Liabilities, Member Capital and Equity	\$ 614,668,817	\$ 551,600,540

Total Assets
Our total assets reflected growth of 11.43 percent over last year.

Member Capital
Total Member deposits grew by 12.20 percent in 2008.

Reserves
Our accumulated earnings have grown by 6.81 percent and reflect our strong financial stability. Being in this position enables us to continue to support our expansion goals and also weather a wide range of economic conditions.

If you would like a complete set of financial statements with notes, please call us between 7 a.m. and 7 p.m. weekdays at (763) 544-1517 or (800) 862-1998 or write us at: Attn: Beth Norris, TFCU, 14601 27th Avenue North, Suite 104, Plymouth, MN 55447.

Operating Statement as of December 31, 2008



	2008	2007
Interest Income		
Loan Interest Income	\$ 28,754,967	\$ 28,153,972
Investment Income	4,507,150	4,764,050
Total Interest Income	\$ 33,262,117	\$ 32,918,022
Interest/Dividend Expense		
Dividends to Members	\$ 14,547,045	\$ 15,131,921
Borrowed Funds	0	0
Total Interest/Dividend Expense	\$ 14,547,045	\$ 15,131,921
Net Interest Income	\$ 18,715,072	\$ 17,786,101
Provision for Loan Losses	\$ 5,142,775	\$ 2,131,764
Net Interest Income after Provision Expense	\$ 13,572,297	\$ 15,654,337
Operating Fee Income		
Fees and Service Charges	4,500,626	4,340,527
Other Miscellaneous Income	3,451,589	3,216,560
Total Operating Fee Income	\$ 7,952,215	\$ 7,557,087
Operating Expenses		
Compensation and Benefits	\$ 11,156,221	\$ 10,194,848
Occupancy	1,298,327	1,268,441
Other	7,711,120	7,673,538
Total Operating Expenses	\$ 20,165,668	\$ 19,136,827
Non-Operating Income	\$ 741,785	\$ 56,694
Net Income	\$ 2,100,629	\$ 4,131,291

Net Interest Income

This figure represents the difference between what we earned on loans and investments less what we paid to members in the form of dividends. Increase of 5.22 percent.

Provision

This expense item represents money set aside for potential future losses on our loans to members.

Operating Expenses

To enable us to offer the wider range of services, we recognized an increase of 5.38 percent in our operating expenses. With our members' needs in mind, the necessary expenditures were budgeted for and then implemented.

Net Income

After all the expenses and dividends were paid, we achieved a strong net earnings figure. This represented .36 percent return on average total assets. These earnings continue to support our goal of financial safety and soundness we strive to achieve.