



2021
TCU Annual Report

Teachers Credit Union **Annual Report**

Committed to our members & our communities for 90 years.





Vision

Partnering with our communities to achieve their financial success one member at a time.



Mission

Commitment to listen, understand and explore solutions to help you on your path to achieving financial success.



SINCE 1931

Celebrating 90 Years

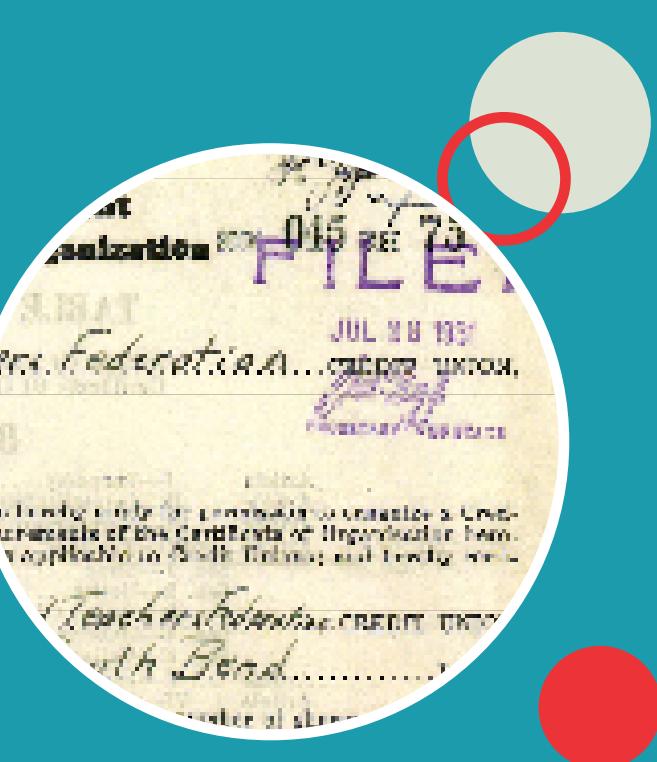
Teachers Credit Union (TCU) began with nothing more than an idea – that local teachers could pool their savings and lend to others in need of credit. Credit was difficult and expensive to come by during the Great Depression, so South Bend Central High School math teacher Harold H. Blanchard began investigating how a credit union might be a solution.

In February 1931, Mr. Blanchard and a small group of teachers formed a committee to study the idea of a “credit cooperative.” They filed a charter application with the State of Indiana, which was granted approval in July 1931. By September, the South Bend Teachers Federation Credit Union (now known as TCU) was formed.

TCU opened for business on October 13, 1931. Mr. Blanchard was elected secretary-treasurer which paid \$1 a year. He continued to teach while keeping \$10 in shares in a tin cash box at home.

From these humble beginnings, TCU has grown to become Indiana's largest credit union.

Harold H. Blanchard
President & CEO
1931 - 1962



Chairman's Report

Once again, the world was tested in 2021. We were faced with a second year in this pandemic and our team rose to the challenge. We stayed true to our mission of helping our members on their journey to achieving financial success. As a result, TCU recorded its best year ever in its 90-year history.

In 2021, we continued to offer our members customized solutions to help meet their goals during the pandemic and worked to address the struggles they experienced. We also continued to give back, providing more than \$5 million to members via our debit rebate program, helped members save over \$9.5 million with Round-Up Savings and returned over \$13 million in dividends to our membership.

We also introduced products and services that bring even more convenience to our members. We began to implement our live video teller machines, which combine the convenience and safety of a drive-up ATM with the personal service of a teller; as well as created contactless debit and credit cards.

Highlights from our 2021 performance included a 6.4% increase in loans and a 12.4% increase in deposits. Commercial loans outstanding grew to \$588 million, and the housing boom helped TCU reach \$639 million in mortgage production.

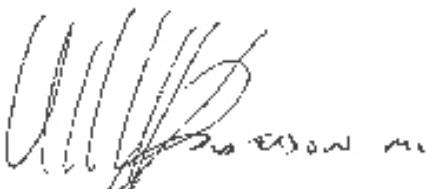
We also remained dedicated to helping the communities we serve. TCU and the TCU Foundation donated more than \$850,000 to nearly 200 community organizations. Plus, our team members volunteered nearly 4,000 hours to causes that were important to them.

While we set records in 2021, we're confident 2022 will be even more successful. This year will see TCU introduce a new online and mobile banking experience and continue to invest in new technologies focused on better serving our members. We are further enhancing our in-branch experience to better assist members, and we are adding the convenience of boat and RV loans through our indirect lending program.

Last year presented several challenges and we responded with purpose and success. I would also like to thank Waylon Peterson, who served as our interim CEO for most of last year. We appreciated his leadership and guidance as we conducted our search for a new CEO.

Our passion for service and commitment to our members is what makes TCU unique. Thank you for your support. We are glad that you have chosen us as your financial partner!

Respectfully,



Vincent Henderson
Board Chair



ABOUT TCU

Cooperation

TCU doesn't profit off members — it invests in them. Earnings are returned to members through better rates, lower fees and enhanced products and services.

Service

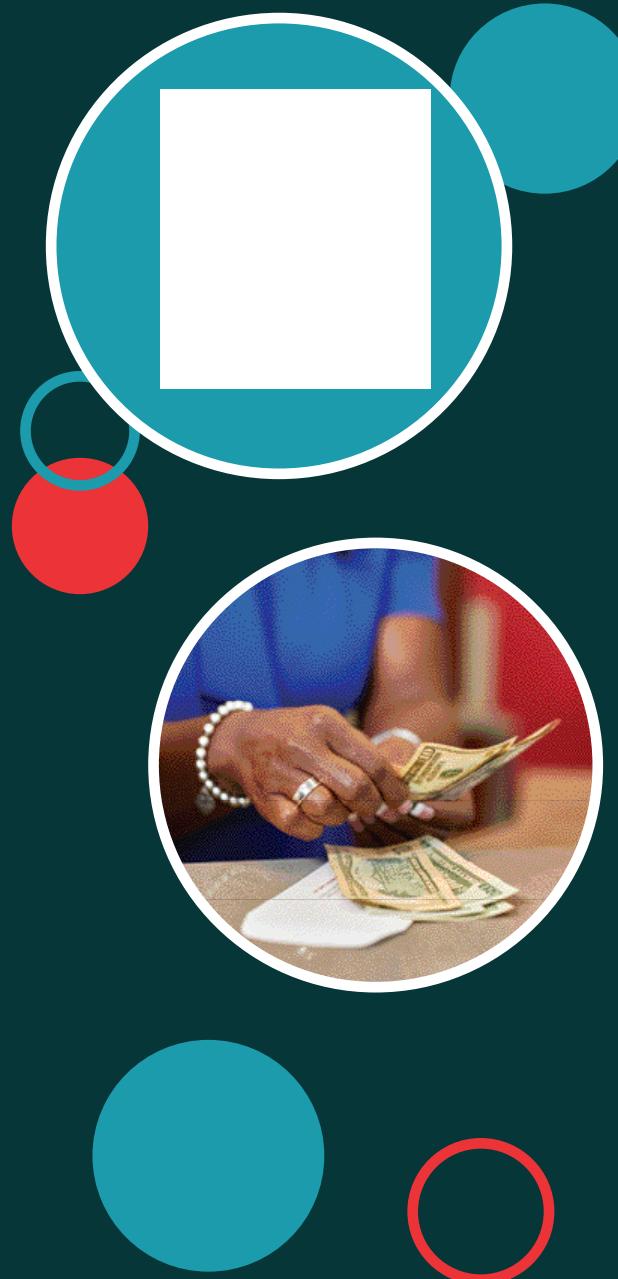
TCU helps its members achieve their goals by offering honest advice and personal service, treating them like people, not account numbers.

Personal Banking

TCU offers top-of-the-line financial services like checking, savings, loans, mortgages and credit cards, as well as specialized services like trusts, investments and insurance.

Business Services

From business checking to cash management and commercial lending, TCU is experienced at providing financial solutions for businesses of all sizes.



Serving
305,973
Members

More than **\$4 billion** in assets



Gives members **cash back**
for using their TCU debit card

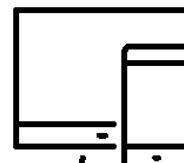
Free access to more than **700 ATMs**
in Indiana and Michigan and more than
30,000 reduced-fee ATMs nationwide



Provides access to more than
5,600 shared branches nationwide

57
Locations

Offering **the latest**
in online and mobile banking



See cunet.com for membership eligibility. Alliance One ATMs are free only in the state of Indiana. All other Alliance One ATMs are subject to a \$2 foreign transaction fee. See TCU debit Mastercard® terms and conditions for details. See TCU Visa® Platinum Rewards Credit Card terms and conditions for details. NMLS#686706. TCU Trust Services Trust services available through MEMBER Trust Company, 14025 Riveredge Drive, Suite 280, Tampa, FL 33637, a Federal Thrift Chartered by the Office of Thrift Supervision. This is for educational purposes only and is not intended to provide legal or tax advice regarding your situation. For legal or tax advice, please consult your attorney and/or accountant. TCU Insurance Agency: TCU Insurance Agency, LLC is a subsidiary of TCU. Insurance products are offered through various approved carriers. TCU Investment Services: TCU Investment Services offered through CUNA Brokerage Services, Inc.*, a broker/dealer focused on serving credit union members. CUNA Brokerage Services, Inc. is an affiliate of CUNA Mutual Group. For more information about CUNA Brokerage Services, Inc., please visit cunabrokerage.com. *TCU Investment Services Representatives are registered representatives of CUNA Brokerage Services, Inc. Representatives are registered, securities sold, advisory services offered through CUNA Brokerage Services, Inc. (CBSI), member FINRA/SIPC, registered broker/dealer and investment advisor, which is not an affiliate of the credit union. CBSI is under contract with the financial institution to make securities available to members. Not NCUA/NCUSIF/FDIC insured, May Lose Value, No Financial Institution Guarantee. Not a deposit of any financial institution. CUNA Brokerage Services, Inc. is a registered broker/dealer in all fifty States of the United States of America. FR-3480577.1-0321-0423

HIGHLIGHTS

Benefits to Members

- Gave back **\$5,091,853.76** to members via debit rebate
- Members saved **\$9,537,761.92** with Round-Up Savings
- Members earned more than **8,417,345** points with the Signature Rewards Credit Card
- Members earned more than **39,950,633** points with the Business and Commercial Rewards Credit Cards

Products

- Launched new and improved solutions for Home Equity Loans and Health Savings Accounts
- Introduced the TCU Visa® Accelerate Credit Card – a secure credit card to help members build or rebuild their credit

Technology

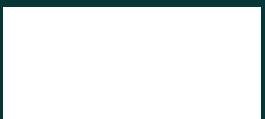
- Implemented Live Teller machines that combine the convenience of a drive-up ATM with the personal service of a teller
- Introduced contactless debit & credit cards which allow for secure and easy transactions

Amphitheater

- Lead sponsor of outdoor concert venue in downtown Indianapolis

Celebrated 90 Years

- On October 13, 2021, TCU celebrated its 90th anniversary. TCU began with a few teachers who had a vision of people helping people. Today we are proud to serve nearly 306,000 members and their communities.



Indirect Lending had a nearly record-breaking year with more than **\$693 million** in loan production



Insurance Agency continues to be recognized as a premier agency with excellent growth



Commercial Lending's creative solutions, new small business program and leadership of their first participation resulted in a record production year



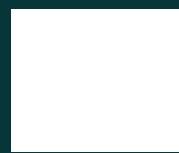
Mortgage production increased significantly from \$481 million in 2020 to a record **\$638 million**, due in part to expanded lending options, increased community outreach and additional bilingual staff



Trust Services continued to provide personal service, working with members to develop and implement their individual estate plans



Investment Services exceeded **\$1.2 billion** in member assets under management



Business Services had a successful year with **1,522** new accounts and more than **\$254 million** in new deposits, an increase of **38.75%**

COMMUNITY



Proud Sponsor

Supported many community events, including:

- Art Beat in South Bend
- Valparaiso Summer Concert Series
- Winter Wonderland Holiday Lights at Wellfield Botanical Gardens in Elkhart
- Hendricks County Rib Fest & Balloon Glow

Committed to Our Communities

- TCU and the TCU Foundation donated more than **\$850,000** to nearly **200** community organizations
- Team members volunteered nearly **4,000** hours with causes close to their hearts



TCU Foundation

Approved grants supporting financial literacy, college scholarships and high-impact educational programs of special interest for our members, including:

- Big Brothers Big Sisters of Central and Northeast Indiana
- E3 Robotics Center
- Girls Inc. of Greater Indianapolis
- Goodwill Industries
- Habitat for Humanity
- Indiana Historical Society
- Ivy Tech Foundation
- Opportunity Enterprises
- Rees Theatre
- Science Central
- Teen Works Inc.
- United Way



TCU's free online financial education programs impacted more than 10,000 people

Personal Finance Program

The online program provides members access to timely financial education modules. In 2021, new business module playlists were added, as well as the option for members to access the modules in Spanish.

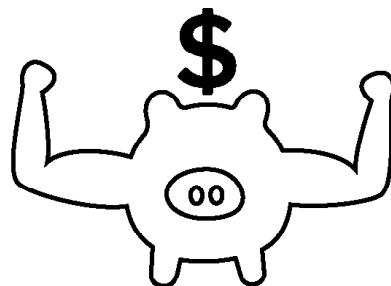
Financial Empowerment Program

This online educational program teaches students about budgeting and how to attain financial wellbeing. Students have access to state approved programming in school or at home.



Give Your Favorite Teacher an Apple

TCU celebrated National Teacher Appreciation Week with the “Give Your Favorite Teacher an Apple!” contest to honor teachers for the many sacrifices they make to support their students. Individuals had an opportunity to thank their favorite teachers and enter their names for a chance to win an Apple iPad Pro®.



Strengthen Your Financial Knowledge

During Financial Literacy Month, TCU ran a “Strengthen Your Financial Knowledge” contest to encourage usage of its online Personal Finance Program. Entrants gained financial awareness and had a chance to win a FitBit®.

Balance Sheet

	2021	2020
Assets		
Cash and due from banks	\$359,644,895	\$ 275,173,395
Available-for-sale securities	667,755,805	487,688,208
Loans held for sale	6,758,143	2,670,375
Loans, net of allowance for loan losses of \$27,132,491 and \$24,334,766	3,253,864,729	3,056,993,623
Premises and equipment	66,375,248	62,694,271
Federal Home Loan Bank stock	20,754,700	20,754,700
National Credit Union Share Insurance Fund and other deposits	31,445,315	29,077,699
Alloya membership shares	2,759,747	2,759,747
Goodwill	13,466,480	13,466,480
Intangible assets, net of accumulated amortization of \$4,390,070 and \$6,328,853	1,542,374	2,097,613
Other assets	74,216,379	69,744,893
Total assets	<u><u>\$4,498,583,815</u></u>	<u><u>\$ 4,023,121,004</u></u>
Liabilities		
Members' share accounts	\$4,065,083,889	\$3,603,599,553
Nonmember share accounts	-	5,212,000
Borrowings	38,262,453	41,576,878
Other liabilities	33,956,946	38,326,247
Total liabilities	<u><u>4,137,303,288</u></u>	<u><u>3,688,714,678</u></u>
Members' Equity		
Regular reserve	227,844,986	217,927,038
Undivided earnings	138,058,465	112,423,375
Accumulated other comprehensive income	(4,622,924)	4,055,913
Total members' equity - substantially restricted	<u><u>361,280,527</u></u>	<u><u>334,406,326</u></u>
Total liabilities and members' equity	<u><u>\$4,498,583,815</u></u>	<u><u>\$ 4,023,121,004</u></u>

Income Statement

	2021	2020
Interest Income		
Loans and leases	\$ 129,879,352	\$ 121,686,634
Investment securities	6,043,257	7,173,235
Other interest and dividend income	1,796,010	1,893,642
	<u>137,718,619</u>	<u>130,753,511</u>
Interest Expense		
Share accounts	20,490,052	29,325,827
Borrowings	664,595	998,773
	<u>21,154,647</u>	<u>30,324,600</u>
Net Interest Income		
Provision for losses on loans	116,563,972	100,428,911
	<u>7,953,397</u>	<u>11,000,006</u>
Net Interest Income After Provision for Losses on Loans	<u>108,610,575</u>	<u>89,428,905</u>
Other Income		
Service charges and fees on share accounts	36,462,477	32,282,949
Annuity and other commissions	9,737,880	8,706,703
Gain on investments	170,896	1,030,121
Gain on sale of VISA stock	-	10,168,294
Gain on other real estate owned and repossessions	1,468,331	579,908
Gain on sale of loans	7,168,576	4,562,266
Other income	5,218,981	1,942,152
	<u>60,227,141</u>	<u>59,272,393</u>
Other Expenses		
Salaries and employee benefits	74,937,306	66,177,102
Net occupancy expenses	8,023,241	7,510,394
Equipment and data processing expenses	18,144,134	17,010,674
Printing and office supplies	1,943,731	2,006,187
Marketing and public relations	3,378,976	4,090,294
Loan expenses and fees	3,844,916	2,863,729
Plastic card processing	6,219,636	5,754,782
Professional outside services	5,999,681	8,142,518
Other expenses	10,938,542	11,574,431
	<u>133,430,163</u>	<u>125,130,111</u>
Net Income	<u><u>\$35,407,553</u></u>	<u><u>23,571,187</u></u>

Statement of Cash Flows

Operating Activities

	2021	2020
Net income	\$35,407,553	\$23,571,187
Items not requiring (providing) cash		
Provision for loan losses	7,953,397	11,000,006
Investment securities amortization, net	5,291,921	2,850,330
Net loan origination cost accretion, net	(3,445,348)	(2,037,512)
Gain on sale of investments on the financials	(170,896)	(1,030,121)
Gain on sale of loans	(7,168,576)	(4,562,266)
Gain on other real estate owned and repossessions	(1,468,331)	(579,908)
Depreciation	6,304,245	6,164,464
Amortization of intangible assets	555,239	413,750
Gain on sale of VISA stock	-	(10,168,294)
Change in		
Loans held for sale	(4,087,768)	(2,670,375)
Interest receivable	2,544,494	2,544,494
Interest payable and other liabilities	(4,369,301)	7,423,781)
Prepaid expense and other assets	<u>(7,436,622)</u>	<u>(6,150,168)</u>
Net cash provided by operating activities	29,910,007	26,769,368

Investing Activities

Net change in interest-bearing time deposits	-	106,599
Acquisition, net of cash acquired	-	(7,184,211)
Purchase of FHLB stock	-	(467,600)
Purchase of securities available for sale	(340,637,537)	(267,728,186)
Proceeds from maturities and paydowns of securities available for sale	135,395,448	82,306,190
Proceeds from sales of securities available for sale	11,374,630	23,455,078
Proceeds from sale of VISA stock	-	10,168,294
Proceeds from sales of real estate owned and repossessions	10,168,808	6,712,677
Net change in loans	(202,490,414)	(326,139,453)
Purchases of premises and equipment	(9,985,222)	(9,432,953)
Increase in NCUSIF and other deposits	<u>(2,367,616)</u>	<u>(4,896,745)</u>
Net cash used in investing activities	<u>(398,541,903)</u>	<u>(493,100,310)</u>

Financing Activities

Net change in		
Certificates of deposit and individual retirement accounts	(191,418,188)	(107,462,025)
Other share accounts	652,902,524	681,534,420
Net change in nonmember share accounts	(5,212,000)	1,548,000
Proceeds from borrowings	-	3,868,745
Repayment of borrowings	(3,314,425)	(43,621,517)
Membership fees received	<u>145,485</u>	<u>143,670</u>
Net cash provided by financing activities	<u>453,103,396</u>	<u>536,011,293</u>

Net Change in Cash and Cash Equivalents

Cash and Cash Equivalents, Beginning of Year	84,471,500	69,680,351
Cash and Cash Equivalents, End of Year	<u>275,173,395</u>	<u>205,493,044</u>

Additional Cash Flows and Supplementary Information

Interest paid	\$21,038,304	\$30,385,108
Transfer of loans to other real estate owned and repossessions	8,279,835	5,719,688

Consolidated Statements of Members' Equity

Years ended December 31, 2021 and 2020

	Regular Reserve	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balances, January 1, 2020	\$205,452,190	\$101,183,366	\$418,187	\$ 307,053,743
Net income		23,571,187		23,571,187
Other comprehensive loss			3,637,726	3,637,726
Regulatory transfers, net	12,331,178	(12,331,178)		-
Membership fees received	<u>143,670</u>	<u> </u>	<u> </u>	<u>143,670</u>
Balances, December 31, 2020	217,927,038	112,423,375	4,055,913	334,406,326
Net income		35,407,553		35,407,553
Other comprehensive income			(8,678,837)	(8,678,837)
Regulatory transfers, net	9,772,463	(9,772,463)		-
Membership fees received	<u>145,485</u>	<u> </u>	<u> </u>	<u>145,485</u>
Balances, December 31, 2021	<u><u>\$227,844,986</u></u>	<u><u>\$138,058,465</u></u>	<u><u>(\$4,622,924)</u></u>	<u><u>\$361,280,527</u></u>

Board of Directors



VINCENT HENDERSON
Chair



THEA KELLY
Vice Chair



JOHN MYERS
Secretary



SHIRLEY GOLICHOWSKI
Assistant Secretary



DIANE MAAS
Treasurer



DAVID ARANOWSKI
Board Member



JIM DUBOIS
Board Member



JACKIE MORALES
Board Member

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TRACY WEBER
Chair



ADELA CREALY
Committee Member



GREG FREEHAUF
Committee Member



OSCAR GUTIERREZ
Committee Member



DERRICK TORAN
Committee Member

Supervisory Committee Report

The Supervisory Committee of TCU is responsible for independently monitoring and assessing the credit union's financial condition and operations. Policies, procedures, and internal controls are evaluated by the Committee via discussions with internal/external auditors and state/federal regulators, as well as reviews of audit and examination reports. In addition, the certified public accounting firm of BKD, LLP was retained to perform a comprehensive year-end audit of the credit union's financial statements.

BKD's 2021 audit was conducted in accordance with generally accepted auditing standards, and resulted in an Unmodified, or "Clean" opinion issued on the consolidated financial statements for the year ended December 31, 2021. A portion of the audited financial statements is included in this report and a full copy is available upon request. Based upon the results of all audits and examinations performed during 2021, it is the opinion of the Supervisory Committee that TCU is in sound financial condition. We can assure the membership that management's policies, programs, and practices are effective.

Executive Management



WAYLON PETERSON
Interium President &
Chief Executive Officer



NICOLE ALCORN
Senior Vice President &
Chief Member
Experience Officer



TODD BROWN
Senior Vice President &
Chief Financial Officer



CHAD DOUGLASS
Senior Vice President &
Chief Lending Officer



DAN ROUSSEVE
Senior Vice President &
Chief Information Officer



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