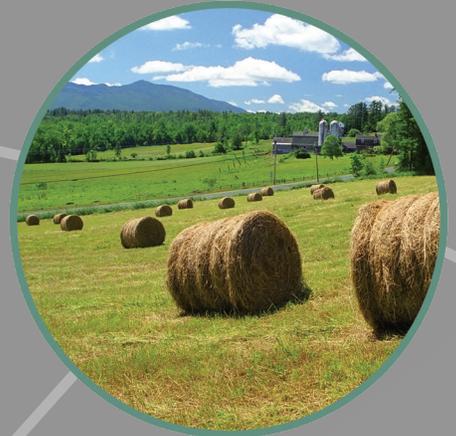


Placing **MEMBERS FIRST,**



while honoring our **VERMONT** values,



and embracing **COOPERATIVE** principles.



VSECU

2015 **ANNUAL REPORT**



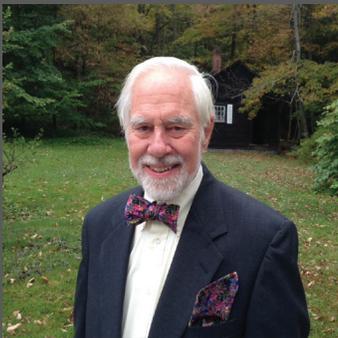
## A MESSAGE FROM CEO, ROB MILLER

Solid values and clear priorities provide a stable foundation for good decisions. With 2015 now at a close, we look back on a year marked by discovery and success. Financially, we continued to grow our balance sheet, extend loans to meet your needs, and remain well capitalized.

Operationally, we made several improvements that we believe will have long lasting, positive impacts on our membership. We enhanced our call center operations to improve our member service; we put several state grant programs to work to make energy efficiency improvements more affordable; and we launched our own VSECU Blog, creating more informative content to help our members make wise financial decisions.

We opened our new Bennington branch and welcomed new members with the merger of Bennington E/E Federal Credit Union. At the same time we worked within the Bennington community to launch a collaborative co-working space called The Lightning Jar, located within our branch and intended to attract and cultivate entrepreneurs. We made several enhancements to our work environment to foster a thriving workplace full of engaged employees. And we worked throughout the year to develop a renewed vision for our future that will inspire our efforts in the years to come—to be more than just an alternative to traditional banking.

Overall, we achieved our goals for 2015, bringing more value to our members while maintaining the financial strength of our cooperative.



## A MESSAGE FROM CHAIRMAN, KIM CHENEY

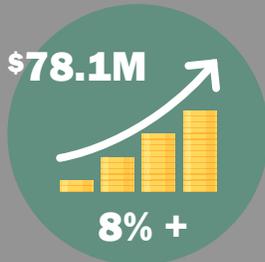
For 2015, the Board of Directors focused on two objectives, inspired by one guiding principle—in a rapidly changing environment, VSECU must continue to evolve to create a positive impact for its members. The first objective was to support our new CEO, Robert Miller, as he encouraged all staff to find innovative ways of increasing the credit union's competitiveness in the marketplace. Meeting this objective required a change in the working culture of the credit union from a top-down management model to one which emboldens all employees to take initiative, learn from mistakes, be

responsible for creating a better credit union, and find satisfaction in their work. The second objective was to strengthen the board itself, which has several new members, into an effective body to support and guide the leadership of the CEO, the management team, and the staff.

Due to our success in meeting these objectives, VSECU had an excellent year financially, demonstrated impactful innovation, and emerged with a stronger commitment to placing members first, honoring Vermont values, and embracing cooperative principles. Through effective leadership and commitment from our staff, VSECU remains the financial cooperative for all Vermonters. The Board has been a cheerful participant in this evolution.

## CREDIT COMMITTEE REPORT - Nellie Gillander, Chair

Throughout 2015, we saw an increase in loans over 2014 levels in all areas. VSECU members took advantage of the stable loan rates, particularly in financing options for energy efficiency improvements.



8,166 CONSUMER LOANS



715 FIRST MORTGAGE LOANS



574 HOME EQUITY LOANS



149 VBIZ LOANS



670 VGREEN LOANS (included in other results shown)

Our VGreen Loan Program generated the most notable increase in volume with a 94% lift. Recognized for our commitment to energy savings, VSECU was also awarded two grant programs from the Vermont Department of Public Service, where funds can be used as credit enhancements for community or home solar purchases.

## TREASURER'S REPORT - Norman McElvany, Treasurer

Fiscal year 2015 was a very good year for our credit union. Total assets are up by 4.1%, and all three of our loan categories have increased, with our net loan to asset ratio hitting a new high of 77.7%. Thanks to healthy loan demand, 17.3% (\$25 million) of our investment portfolio shifted from lower-yielding investments in government notes/securities into higher-yielding member loans.

On the income side, we increased the provision for loan loss by 154%. Though actual charge-offs for unpaid loans are historically extremely low, we increased the provision to account for possible future losses as the credit union grows and our business loan portfolio expands.

Despite the significant increase in our loan loss provision, the credit union paid members over \$3,560,000 in interest, generated a net income of \$2,925,879, and increased our total equity to \$57,521,165. Our net worth ratio rose to 8.45%, up from 8.29% last year. The net worth ratio is a measure of how well we can withstand adverse conditions. By this measure, we are considered a well capitalized and financially sound credit union by both state and federal regulators.

### DEPOSITS



602,189,826 (2015)

589,102,414 (2014)

### LOANS



527,112,725 (2015)

475,440,869 (2014)

### NET WORTH



8.45% (2015)

8.29% (2014)

# SUPERVISORY COMMITTEE REPORT - Normand Desrochers, Chair

According to the provisions of the Title 8, Vermont Statutes Annotated, Chapter 221, Section 31306; the Supervisory Committee oversaw an extensive audit of the books and affairs of VSECU for the twelve months ending September 30, 2015; performed by Orth, Chakler, Murnane & Company, CPAs; an independent auditing firm from Miami, Florida.

The committee reviewed the audited financial statements and supporting footnotes to the financial statements and has presented the results of the audit to the board. The committee is satisfied that the work received from the audit firm is accurate and complete.

A copy of the opinion and financial statement audit report presented by Orth, Chakler, Murnane & Company is available upon request.

## STATEMENT OF FINANCIAL CONDITION

### ASSETS

	2015	2014
MEMBER LOANS, NET ALL	\$527,112,725	\$475,440,869
INVESTMENTS	\$120,166,052	\$145,248,212
OTHER ASSETS	\$34,469,643	\$34,148,195
<b>TOTAL ASSETS</b>	<b>\$681,748,420</b>	<b>\$654,837,276</b>

### LIABILITIES & MEMBER EQUITY

LIABILITIES	\$7,037,429	\$5,355,133
BORROWED FUNDS	\$15,000,000	\$6,000,000
MEMBER SHARES/SAVINGS	\$602,189,826	\$589,102,414
RESERVES/EQUITY	\$57,521,165	\$54,379,729
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$681,748,420</b>	<b>\$654,837,276</b>

## STATEMENT OF INCOME

TOTAL INTEREST INCOME	\$22,745,969	\$21,176,193
TOTAL INTEREST EXPENSE	(\$3,651,693)	(\$4,769,272)
<b>NET INTEREST INCOME</b>	<b>\$19,094,276</b>	<b>\$16,406,921</b>
PROVISION FOR LOAN LOSS EXPENSE	(\$1,821,100)	(\$714,700)
NON-INTEREST INCOME	\$7,257,596	\$6,899,046
NON-INTEREST EXPENSE	(\$21,554,191)	(\$20,750,519)
NON-OPERATING GAIN/(LOSS)	(\$50,702)	(\$6,761)
<b>NET INCOME</b>	<b>\$2,925,879</b>	<b>\$1,833,987</b>