



EMPOWERING
POSSIBILITIES

VSECU

REFLECTIONS ON **IMPACT**

2016 Annual Report



COOPERATIVE STRENGTH

Dear Member,

We all treasure the traditions built over time that define who we are, how we interact with each other, and what we care about. In today's world, there are significant changes and disruptions happening globally that present both threats and opportunities to our values. More than ever, we live in a society where everyday choices can make a meaningful impact; where our individuality is balanced with our concern for community and an understanding that we truly thrive as individuals when everyone prospers. This is the cooperative way.

In 2016, your Board of Directors, leadership, and employees brought a renewed vision to the long standing mission of our financial cooperative—to improve the quality of life for all Vermonters. **Our vision—to inspire a movement that brings people together to empower the possibilities for greater financial, environmental, and social prosperity**—galvanized us to develop new programs and services that build long-term opportunity and prosperity for our members and communities.

Early in the year, we launched a partnership with **Milk Money**—an online equity crowd-funding portal that empowers our members to invest and support local Vermont small businesses. We also founded **Co-op Capital**—a program that enables us to invest in cooperatives—not only diversifying our investment portfolio but also supporting our economy and job creation. And our investment in a **500 kW solar array** offsets our electricity usage with renewable energy to save us money.

Because of our commitment to sustainable social, environmental, and economic development, we were asked to join the **Global Alliance for Banking on Values**—a prestigious group of financial organizations that prioritize people and values over profit. Illustrating the passion and commitment of our employees, we were honored to be named as one of **Vermont's Best Places to Work** for the first time. And as a result of our ongoing focus on you—our member-owners—we were able to grow **assets to \$717 million** and attract over **5,500 new members**.

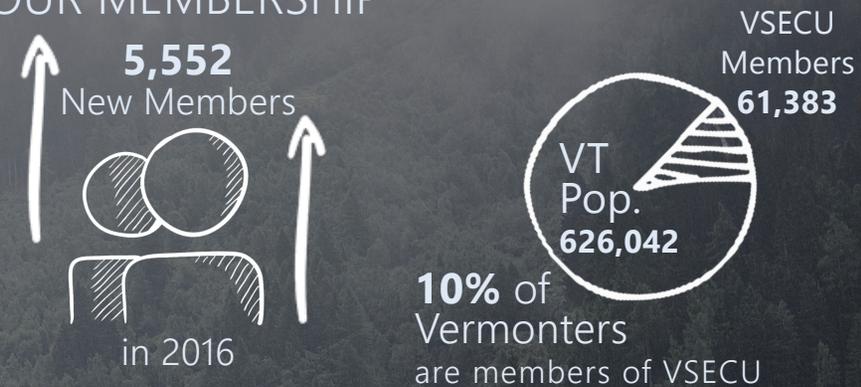
We hope this annual report offers insight into how we are empowering possibilities for you, our members. Together, we achieved so much this year, and we're enthusiastic about the possibilities in the year ahead. Above all else, we thank you for being a member of our credit union and a part of this movement that makes our state one of the best places to live.

Kimberly Cheney, Chairman | Robert Miller, Chief Executive Officer

CO-OP CAPITAL

The **first program of its kind** in the U.S., VSECU's Co-op Capital makes **5.5 Million** available for investment in the **cooperative economy**.

OUR MEMBERSHIP



GLOBAL ALLIANCE FOR BANKING ON VALUES

VSECU is the **first credit union in the U.S.** to earn membership in this global organization, joining 35 other financial institutions around the world in a commitment to using finance to promote **sustainable social, environmental, and economic development**.

BEST PLACES TO WORK IN VERMONT 2017

Empowered employees are engaged in their work and excited to take on new challenges. We value our employees. The recognition we received from Vermont Business Magazine as one of the **Best Places to Work in Vermont** is an indication that they value us as well.

POWERED BY VSECU

We are dedicated to powering economic development in Vermont. Powered by VSECU, initiated in 2015, enables us to **stimulate social and economic opportunities** for cooperative and collaborative business ventures in Vermont.

FINANCIAL

West Rutland School students visit our Rutland branch for a financial literacy workshop.

HOMES

253 home loans, totaling more than **\$41M**, put members in homes in 2016.

45 mobile home loans, totaling **\$2.1M**, supported affordable home ownership in Vermont.

TRANSPORTATION

In 2016, **2,862** vehicle loans, totaling more than **\$39M**, helped members reach their destination. These statistics include low interest rate loans for green vehicles and commuter bicycles that reduce the cost of going green and staying healthy.

DISCOUNTED HOME HEATING

Over **2,500** members saved on home heating during the 2016/17 heating season through our VHeat discount fuel buying program.

SMALL BUSINESSES/NONPROFITS

VSECU supported over 1,000 small businesses and nonprofit members with financial services in 2016.



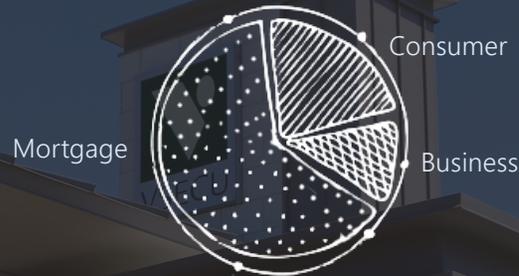
\$21M loaned to help **61** small businesses



\$311K loaned to help **6** nonprofits make an impact

CREDIT COMMITTEE REPORT

NEW LOANS



\$248M

MORTGAGE LOANS

1st Mortgages

\$118M

Home Equity Loans

\$26M

CONSUMER LOANS



BUSINESS LOANS



NET CHARGE OFFS (debt not paid) compared to average loan balance



TOTAL LOAN PORTFOLIO growth in millions



OUR VISION: TO INSPIRE A MOVEMENT THAT BRINGS PEOPLE TOGETHER

ENVIRONMENTAL

Soveren Solar owner, Peter Thurrell, and VSECU CEO, Rob Miller, walk through the Guilford solar array.

We are committed to finding opportunities within both our operations and business products to promote environmentally sound choices for our employees and our member-owners.

GUILFORD SOLAR ARRAY

In 2016, we financed a 500 kW solar array that supplies 100% renewable energy to our operations.

GREEN BRANCHES

By prioritizing energy efficiency in our buildings, we use less energy, save money for our members, and provide a comfortable place for people to work. Currently, three of our nine locations are ENERGY STAR certified – Rutland, St. Johnsbury, and Waterbury. Our Rutland branch has the further distinction of meeting Leadership in Energy and Environmental Design (LEED) Gold standards for new construction. We benchmark any new construction or renovation work to LEED standards so that we can ultimately attain certification across all of our owned locations.

VGREEN PROGRAM

Our VGreen program helps warm homes, lower fuel bills, reduce emissions, and increase renewable energy use. It is recognized as the premier financing option in Vermont for investments in energy efficiency and renewable resource infrastructure.

2016 VGREEN IMPACT

HEAT SAVER LOANS

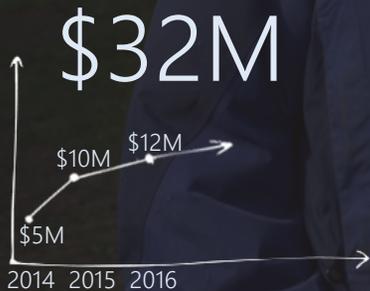


Total Portfolio \$3M

SOLAR INSTALLATIONS



Total Portfolio \$17M



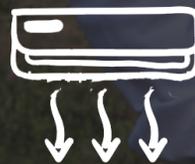
VGreen Loans financing member efficiency projects to save money and energy.

\$565K



Total saved by our members in interest rate buy downs on VGreen loans

\$1,882



Average interest rate savings for loans made through the Heat Saver Program

690



individual efficiency projects

TO EMPOWER THE POSSIBILITIES

SOCIAL

VSECU volunteers at the Vermont Foodbank Veggie VanGo Mobile Food Pantry delivery site at Barre City Elementary and Middle School.

CORPORATE COMMUNITY GIVING

VSECU strengthened Vermont communities in 2016, donating over **\$200,000** to neighbors in need.



\$70,150 given to 15 charities to feed hungry Vermonters.



\$44,650 given to 17 charities to provide shelter to Vermonters in need.



\$26,625 given to 9 charities to educate Vermonters about their finances.



\$16,350 given to 9 charities to protect our environment.



\$8,000 given to 3 charities to provide heat to Vermont homes.



\$35,850 given to 13 charities that offer services meeting multiple needs.

EMPLOYEE DONATIONS/VOLUNTEERISM

VSECU employees make our communities stronger by volunteering, donating and fundraising, serving on boards, and much more. We are proud of their volunteer efforts and support them in their efforts to improve the quality of life in Vermont.

Over **\$8,500** raised by employees



137 hours of paid volunteer time

VERMONT FOODBANK

In 2016, VSECU donated **\$40K** to the Vermont Foodbank, volunteered **158 hours** of time, and packed **31,334lbs of food**, equaling **44,500 meals**.

MAJOR GIFTS

Environment

Community Climate Action, Net Zero Vermont

Financial Literacy

Central Vermont Adult Basic Education, Inc., Girls/Boyz First Mentoring, ReSOURCE - YouthBuild, West Rutland School

Food

Faith in Action Northern Communities Partnership, Food Connects, Greater Bennington Interfaith Community Services, Hunger Free Vermont, Intervale Center, Our Community Cares Camp, Vermont Foodbank, Washington County Youth Service Bureau

Heat

Vermont Community Action Agencies, Vermont Energy Education Program

Shelter

ANew Place, Another Way, Bennington County Coalition for the Homeless, Central Vermont Home Health & Hospice, COTS, Good Samaritan Haven, Habitat for Humanity, Home Share Now, HomeShare Vermont, Lamoille Housing Partnership, Northeast Kingdom Youth Services, Samaritan House, Inc., Spectrum Youth & Family Services

FOR GREATER FINANCIAL, ENVIRONMENTAL AND SOCIAL PROSPERITY

TREASURER'S REPORT

STATEMENT OF FINANCIAL CONDITION

ASSETS	2016	2015
Member loans, net ALL	\$585,189,444	\$527,112,725
Investments	\$95,584,183	\$120,166,052
Fixed Assets	\$15,950,092	\$15,963,740
NCUA SIF	\$5,853,479	\$5,797,662
Other Assets	\$14,815,781	\$12,708,241
Total Assets	\$717,392,979	\$681,748,420

LIABILITIES AND MBR EQUITY

	2016	2015
Liabilities	\$9,508,014	\$7,037,429
Borrowed Funds	\$37,000,000	\$15,000,000
Member shares/savings	\$609,372,179	\$602,189,826
Regular Reserves	\$11,953,743	\$11,953,743
Undivided Earnings	\$49,762,184	\$45,677,997
Accum other comp (loss)/gain	\$(203,141)	\$(110,575)
Total Liabilities and Equity	\$717,392,979	\$681,748,420

SUPERVISORY COMMITTEE REPORT

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, 2016; performed by Doeren Mayhew, CPAs and Advisors; 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 Doeren Mayhew is available upon request.

STATEMENT OF INCOME

	2016	2015
Member loan interest	\$23,383,302	\$21,406,146
Investment interest	\$1,212,655	\$1,339,823
Total Interest income	\$24,595,957	\$22,745,969
Dividend expense on member deposits	\$2,791,877	\$3,560,301
Interest expense on borrowing	\$170,392	\$91,392
Total Interest Expense	\$2,962,269	\$3,651,693
Net interest income	\$21,633,688	\$19,094,276
Provision for loan loss expense	\$1,441,800	\$1,821,100
Net interest income, after PLL	\$20,191,888	\$17,273,176
Non-interest income	\$7,489,141	\$7,257,596
Non-interest expense	\$23,644,489	\$21,554,191
Non-Operating (loss)/gain	\$47,647	\$(50,702)
Net Income	\$4,084,187	\$2,925,879

VSECU is a member-owned cooperative and not for profit credit union for everybody who lives and works in Vermont.



VSECU

VSECU
One Bailey Avenue
Montpelier, VT 05602-3401
802/800 371-5162
www.vsecu.com