

2017 ANNUAL REPORT

CEO MESSAGE

"Impact over activity." That's the 2017 mantra that guided VSECU through a year of reflection and transformation. It ensured we lived the principles of our mission, vision, and values for our member-owners, communities, and employees.

As a financial cooperative, we exist to serve the needs of our members. To this end, in 2018, we expanded our VGreen program to provide greater access to affordable VGreen loans, which reduce the cost of clean energy projects and purchases. We also launched a new values-based, high-yield money market account that uses 100% of deposit dollars to fund VGreen projects and purchases.

We improved the member experience with an updated Mobile Banking app, expanded on staff knowledge and competencies, kept interest rates stable and affordable for borrowing, updated the Credit Card Online website and made numerous behind-the-scenes improvements impacting technology, security, and operational procedures.

We invested in people, systems, and our physical environment. We celebrated our employees as our greatest asset; embarked on a year-long cultural and organizational transformation to foster transparency, inclusion, and innovation; and relocated our Operations Center from Berlin to a larger facility in Waterbury.

We ended the year serving more than 63,000 members whose goals and dreams were enabled by the pooled resources of our membership, and were honored as one of the "2018 Best Places to Work in Vermont" by Vermont Business Magazine. Together, we helped one another, gave back to our communities in impactful ways to spur prosperity, and protected the financial stability of our member-owned cooperative.

Thank you for being part of this credit union movement. Our collective activity is truly making an impact to positively influence the individual lives of the people we serve.

Robert Miller, Chief Executive Officer

SERVING OUR MEMBERSHIP

Membership Growth



MEMBERS: 59,084 61,383 63,888

Serving Members Statewide



Branches

Visit one of our nine branches across Vermont.



Online

Get in touch with us by emailing info@vsecu.com



Call Center

Contact our full service call center at 802-371-5162.

Home Lending

1,128 mortgages originated for our members in 2017.



BOARD CHAIR MESSAGE

The balance sheet is one measure of the health of your credit union. It reflects increases over last year in assets, net income, capital and net worth. Only effective management could achieve such desirable growth, which bodes well for the future.

There are other indicators of actions to maintain the credit union as a stable, first-rate financial institution, providing excellent service at competitive cost. A vital effort has been to foster a workplace culture where there are fewer staff meetings, participants are better prepared, and all employees are respected and enjoy being at work. Also, we have expanded our field of membership to permit loans for out-of-state solar projects, have improved Mobile Banking with current technology, relocated the operations hub from the Barre-Montpelier Road to better space in Waterbury, and are exploring shared branching with other credit unions.

The credit union fosters a positive social impact beyond traditional financial services. We encourage member-owned cooperative projects. Our giving policy supports food for the hungry, housing for the homeless, warmth, financial literacy, and environmental protection. Our investment policy supports grassroots projects to promote investing in a sustainable Vermont economy.

After 16 years of Board service, and four years as chair, I will be stepping down as chair of the Board. I am confident the Board will continue to oversee our CEO, Rob Miller, the management team whose energy and enthusiasm seem limitless, and our employees who are working for the future health of the credit union in a highly competitive environment. The credit union is in good hands.

Kimberly Cheney, Chair

Green Lending

3,058

VGreen loans originated since program began.

We've lent **\$63,800,625**

in green loans for business and consumer loans.

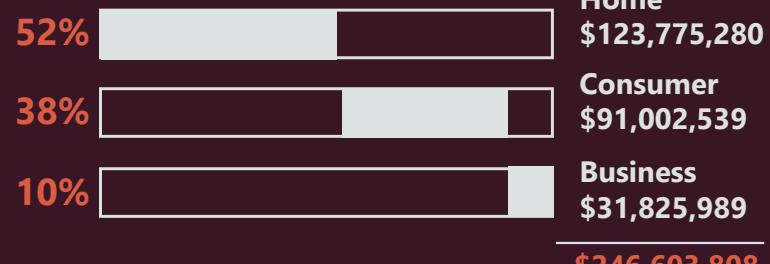
\$40+
Million

total loan portfolio in VGreen consumer and business.

We saved our members **\$443,076**

in heating fuel with our VHeat program.

2017 New Loans



Total Loan Balances



COMMUNITY GIVING

VSECU's mission is to improve the quality of life for all Vermonters. To achieve that mission, our philanthropic work focuses impact on Vermonters' basic needs—food, shelter, environment, heat, financial literacy—individually or in combination. With one in seven Vermonters facing hunger, and tens of thousands struggling to keep a roof over their heads or stay warm each winter, we directed **\$193,687 in 2017** to organizations committed to having a positive effect on the well-being of communities and individuals in Vermont.



CULTURE AND VALUES

OUR FOUNDATION

Our purpose and our internal culture is deeply rooted in our core values that define and guide us in how we behave, act, and make decisions that impact our members, communities, and co-workers.

OUR CULTURE



HOW IT'S WORKING



VSECU employees are valued and empowered, and we're thankful that our employees value VSECU in return. For the **second year in a row**, Vermont Business Magazine recognized us as one of the Best Places to Work in Vermont. Employee feedback is the reason VSECU earned this award, so our team's happiness is the greatest honor.



VSECU is the **first credit union in the U.S.** to earn membership in the Global Alliance for Banking on Values, joining 35 other financial institutions around the world in a commitment to using finance to promote **sustainable social, environmental, and economic development**.

TREASURER'S REPORT

STATEMENT OF FINANCIAL CONDITION

ASSETS	12-31-2017	12-31-2016
Member Loans, Net All	\$631,715,536	\$585,189,444
Investments	\$83,482,357	\$95,584,183
Fixed Assets	\$16,935,101	\$15,950,092
NCUA SIF	\$6,041,980	\$5,853,479
Other Assets	\$14,258,648	\$14,815,781
TOTAL ASSETS	\$752,433,622	\$717,392,979

LIABILITIES AND EQUITY	12-31-2017	12-31-2016
Liabilities	\$9,989,984	\$9,508,014
Borrowed Funds	\$52,000,000	\$37,000,000
Mbr Shares/Savings	\$622,943,773	\$609,372,179
Non-member Shares	\$3,130,000	\$-
Regular Reserves	\$11,953,743	\$11,953,743
Undivided Earnings	\$52,914,789	\$49,762,184
Accum Other Comp (Loss)/Gain	\$(498,667)	\$(203,141)
TOTAL LIABILITIES AND EQUITY	\$752,433,622	\$717,392,979

STATEMENT OF INCOME

FOR THE 12 MONTHS ENDING	12-31-2017	12-31-2016
Member Loan Interest	\$24,839,725	\$23,383,302
Investment Interest	\$1,169,580	\$1,212,655
Total Interest Income	\$26,009,305	\$24,595,957
Dividend Exp on Deposits	\$2,704,141	\$2,791,877
Interest Expense on Borrowing	\$386,322	\$170,392
Total Interest Expense	\$3,090,463	\$2,962,269
Net interest income	\$22,918,842	\$21,633,688
Provision for Loan Loss Exp	\$1,962,155	\$1,441,800
Net Interest Income, after PII	\$20,956,687	\$20,191,888
Non-interest Income	\$9,747,051	\$7,489,141
Non-interest Expense	\$27,369,594	\$23,644,489
Non-Operating (Loss)/Gain	\$(181,540)	\$47,647
NET INCOME	\$3,152,604	\$4,084,187

The Treasurer's Report is published as unaudited each year due to the cycle of our audit period. Our annual audit period is from **October 1 to September 30**.

SUPERVISORY COMMITTEE REPORT

As required by Vermont Statute (8 V.S.A. § 31306) the Supervisory Committee oversaw an extensive audit of the books and affairs of VSECU for the 12 months ending **September 30, 2017**. The audit was performed by the independent auditing firm Doeren Mayhew CPAs and Advisors.

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.