

Timeless Values

2014 ANNUAL REPORT



VSECU

BOARD OF DIRECTORS

Kimberly B. Cheney, Chairman	2002 - 2017
Todd Bailey, Vice President	2009 - 2015
Norman D. McElvany, Treasurer	2013 - 2016
Judy P. Rosenstreich, Secretary	2006 - 2015
Jason Aldous	2012 - 2015
Janet Hollner	2014 - 2015
M. Jerome Diamond	1997 - 2015
Edward J. Friihauf	2010 - 2016
Heather Jarvis	2011 - 2017
Terence D. "Terry" Macaig	2008 - 2017
Andrew A. Stickney	2014 - 2017

CREDIT COMMITTEE

Nellie Gillander, Chair	1992 - 2016
Richard J. Cron	1996 - 2017
Helen Weed	1998 - 2015

SUPERVISORY COMMITTEE

Normand Desrochers, Chair	1992 - 2017
Joseph Healy	1996 - 2015
Sarah Miller	2010 - 2016

EXECUTIVE TEAM

- Robert Miller, CEO
- Thomas Beck, SVP Information Systems
- Terence Field, SVP Finance
- Yvonne Garand, SVP Marketing & Bus. Development
- Rick Hommel, SVP Retail
- Chuck Karparis, SVP Lending

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OUR MISSION

is to improve the quality of life for all Vermonters.



About Us

A message from CEO, Robert Miller and Chairman of the Board, Kim Cheney

In our evolving world we are constantly surrounded by change. The adoption of new buzzwords, first time experiences, better, faster and improved technologies, and leadership change were all felt at VSECU this past year. We embraced it with confidence and success as we remained focused on our mission, vision and values; the unwavering trilogy that doesn't change with time.

We believe our cooperative principles not only set us apart from other financial service providers, but that those same principles can spill over and positively impact people and communities beyond financial services.

A vision of people coming together to help solve problems, create independence and sustainability for themselves and each other, with VSECU at the helm, continued to evolve this past year. Expansion of our signature programs such as VHeat, VGreen and VGives, demonstrate how our nontraditional thinking about banking can impact more than the dollar bottom line. We're helping people stay warm, encouraging others to be stewards of the environment and supporting communities to enrich the lives they serve.

Our values are focused on our member-owners, first and foremost. This is at our core. As a not-for-profit banking alternative, we've helped thousands of people from all walks of life achieve goals, reach dreams, or meet the daily necessities of life.

The information that follows will give you a glimpse of how we are staying true to our trilogy. Thank you for being a member of our credit union, and pooling your resources with others, to make a difference in the lives of Vermonters.

Sincerely,

Robert Miller, CEO

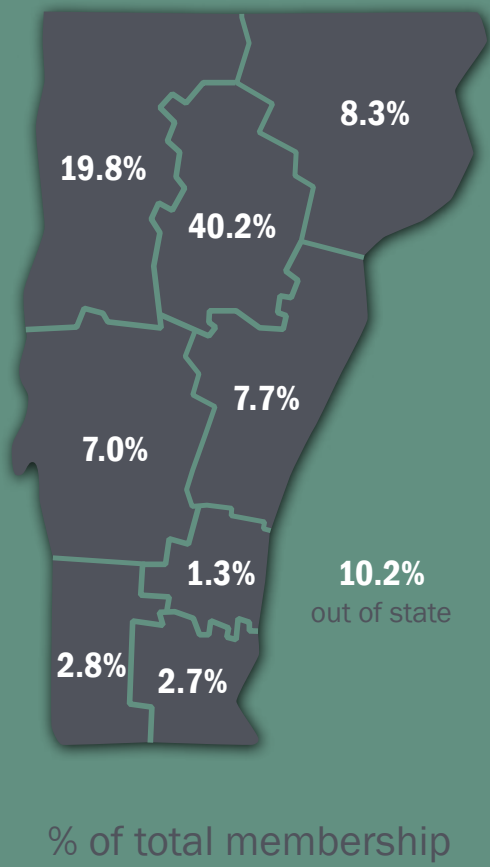
Kimberly B. Cheney, Chairman

Member Focused

CORE values

ACT IN OUR MEMBERS' **BEST INTEREST**
LISTEN TO AND **TRUST** MEMBERS' VOICES
 TREAT MEMBERS' **EQUITABLY** AND WITH **RESPECT**
 COMMUNICATE **PLAINLY, OPENLY** AND **TRANSPARENTLY**

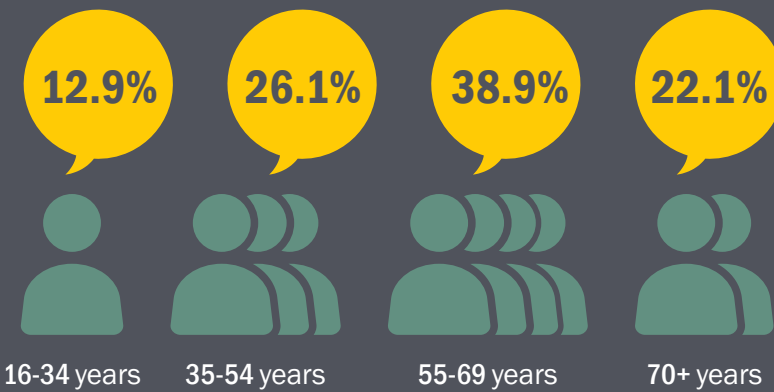
SERVING OUR MEMBERS ACROSS VERMONT



footprint

RUTLAND	2002	BENNINGTON	2014
BURLINGTON	2002	ST. JOHNSBURY	2014
WATERBURY	1981	BRATTLEBORO	2012
MONTPELIER	1947	WILLISTON	2004
		BERLIN	2003

7,105 members exercised their right to vote in the 2014 annual elections.



ST. JOHNSBURY
new branch opening

- 1,015 new members joined
- Now serving 4,460 in the NEK

BENNINGTON
merger with PMH CU

- 1,183 members joined from PMH CU
- Now serving 1,573 in Bennington area

56,179 Members

89.8%
LIVE IN VERMONT



VHeat saves members money during home heating season.

\$578,174
total dollars saved for members

\$300
average annual savings

\$0.40
saved per gallon



3,397

members assisted with purchasing affordable vehicles.



\$235,278

deposited by **797** members under the age of 18 during our **youth financial literacy month** in April.



VSECU paid **\$1,056.57** per month in student loans for 5 members who won awards from the **Student LIFT program**.

1,143
members purchased or invested in their homes with our help in 2014.



10,639
members currently benefit from our home financing solutions.



Enriching Communities

We believe in leveraging our cooperative values to support the environment, the independent and financial stability of individuals, and the essential needs of Vermonters. It makes for a stronger Vermont.

EDUCATIONAL SEMINARS

814 people attended

First Time Home Buyers
Social Security Benefits
Wills & Trusts
Solar Energy

21,000+ pounds of documentation securely shredded by 671 Vermonters.

DOCUMENT SHREDDING



COMMUNITY CREDIT UNION OF THE YEAR AWARD



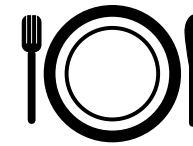
VSECU was one of 4 community credit unions in the nation to receive this prestigious award. The award recognizes credit unions that excel in the advancement of credit union ideals, are proactive in their communities, meet the needs of their diverse membership and demonstrate exemplary displays of credit union principles and service.

GREEN UP VERMONT

Our support helped bring 20,000+ Vermonters together to clean up our beautiful state on Green Up Vermont Day.

COMMUNITY OUTREACH

35 events coordinated and participated in to help raise awareness for financial literacy, environment, food and housing and human health services.



153,100

hungry Vermonters received food assistance when VSECU powered a Vermont Foodbank truck for 20,000 miles.



475

miles biked by 11 VSECU volunteers that raised \$3,875 to benefit the Vermont Foodbank.



32° F

endured in the ALS Ice Bucket Challenge at VSECU along with our donation to the Vermont Walk to Defeat ALS.

VSECU EMPLOYEES MAKE A DIFFERENCE



155 Employees



14 Counties

VSECU employees are active volunteers, board members, brand champions, committee members, donors and advocates supporting a variety of community based organizations and events. We take pride in the volunteer work of our employees. They help to improve the quality of life for all Vermonters and the communities that we call home.

Animal Rescue Shelters

Vermont Artists & Craftsmen

Business & Industry Expos

American Red Cross - NE Chapter

Community Church Programs

School Boards

Habitats for Humanity

Local Chambers of Commerce

County United Way

Good Beginnings of Central Vermont

County Regional Workforce Investment Board

Child Advocacy Centers

County Parent Child Family Centers

Parent Teacher Associations

Young Professional Associations

Walks & Relays to Benefit Disease

State College Community Service & Internship Programs

Make a Wish Foundation

Dedication "Operation" Programs

High School Project Graduation

Community 5K Benefit Runs

VSECU's community giving program, **VGives**, donated \$150,000 to non-profits across the state in 2014.

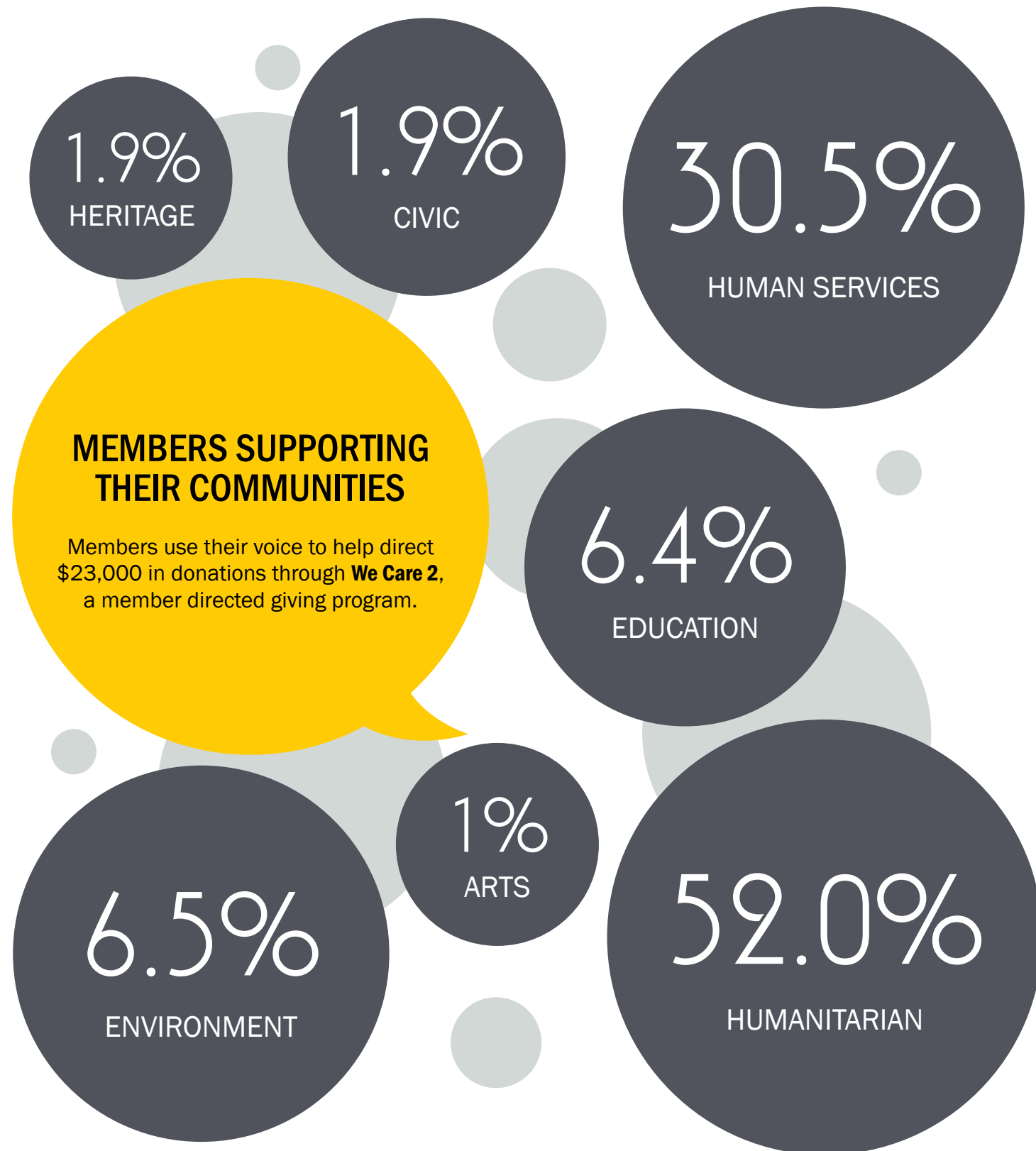


Photo by Walter Bibikow/Getty Images



START-UP TEAMS & ENTREPRENEURSHIP

VSECU helped redevelop Burlington's Old North End by providing housing and a hub for start-up teams at Abe's Corner Accelerator.

ART & MUSIC EDUCATION

VSECU funded the purchase of property for the Center for Arts and Learning to create a hub in Central Vermont for art and music education.

FRESH, LOCAL FOOD DISTRIBUTION

VSECU supported renovations at Upper Valley Produce to improve the distribution of fresh, local food to restaurants and retailers in Vermont.

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.

ENVIRONMENTAL MISSION STATEMENT



Living Green

VSECU is continuously seeking opportunities and taking initiative to protect our environment and help our members live a greener lifestyle.

The State of Vermont has a plan for a cleaner, greener Vermont and to grow jobs and economic opportunity while working to advance the state's energy goals.

VSECU was one of two Vermont lenders selected by the State of Vermont as a grant recipient to help support this goal. The \$400,000 grant agreement provided for program development and credit enhancements to support loan products underwritten and administered by VSECU through the Vermont Thermal Energy Pilot Program of the Public Service Department.

Through VSECU's energy saving VGreen program, the grant is used to provide discounted interest rate loans based on household income.

The low-interest rate loans provide an additional incentive to encourage homeowners to make investments in thermal efficiency and convert to cleaner heating technologies. The loans provide affordable financing for weatherization, the installation of more efficient oil furnaces and boiler replacements, cold climate heat pumps and solar hot water heaters.

In partnership with the Efficiency Excellence Network of fuel dealers, home performance contractors and Efficiency Vermont, we are helping members save money on their energy bills and improve the efficiencies of their homes.



HELPING VERMONT REACH THE GOAL OF **80,000** HOMES WITH
IMPROVED THERMAL EFFICIENCY



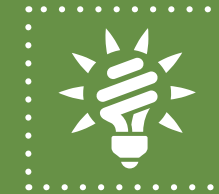
Best in Class Green Branches

- Rutland Branch: Leadership in Energy & Environment Design (LEED) Certification
- St. Johnsbury Branch: constructed to meet high efficiency standards



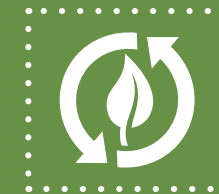
VGreen Signature Program

VSECU is the statewide financing solution for energy efficiency home improvements and renewable investment projects.



Dedicated to Educating Consumers

- 189 members attended VSECU solar workshops around the state
- VSECU partners with local communities to participate in educational energy fairs



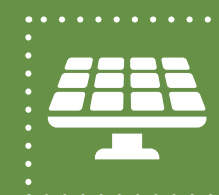
Connecting Members to Energy Solution Providers

VSECU actively engages with providers across Vermont to help direct members to the right solution provider.



Reducing Carbon Footprint with Energy Efficiencies

VSECU funded \$5.8 million to support the environment and the green lifestyle choices of members.



Vital Communities Solarize Program

VSECU finances 5 community solar farms throughout Vermont to incentivize homeowners to go solar with their neighbors.

Financial Member Giveback

A true not-for-profit cooperative is evidenced by managing a strong and stable financial institution, and operating on the lowest margin possible for the benefit of member-owners. We believe in giving back to our members to the greatest extent possible.

<p>\$30</p> <p>PER HOUSEHOLD IN DEPOSIT RATES</p>	<p>\$32</p> <p>PER HOUSEHOLD IN LOAN RATES</p>	<p>\$36</p> <p>PER HOUSEHOLD IN FEES</p>
<p>HELPED MEMBERS EARN</p> <p>\$1,065,300</p> <p>MORE IN SAVINGS BECAUSE OF OUR HIGHER DEPOSIT RATES</p>	<p>HELPED MEMBERS SAVE</p> <p>\$1,136,320</p> <p>IN LOAN PAYMENTS BECAUSE OF OUR LOWER LOAN RATES</p>	<p>HELPED MEMBERS SAVE</p> <p>\$1,278,360</p> <p>IN FEES BECAUSE WE DON'T CHARGE EXCESSIVE FEES</p>

Giveback measures the dollars received as a result of more favorable VSECU rates and fees compared to national averages.
Based on 35,510 member households. Source: Raddon Financial Group, September 2014 CEO Strategies.

SUPERVISORY COMMITTEE REPORT

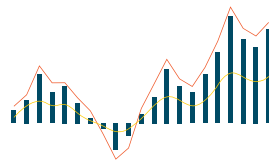
According to the provisions of Title 8, Vermont Statutes Annotated, Chapter 221, Section 31306, the Supervisory Committee oversaw an extensive audit of the books and affairs of VSECU for the twelve months ending September 30, 2014, performed by Orth, Chakler, Murnane & Company, CPAs, an independent auditing firm from Miami, Florida.

The Committee 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.

CREDIT COMMITTEE REPORT

<p>2014 NEW LOANS</p> <p>\$200M</p> <p>Mortgage Consumer Business</p>	<p>MORTGAGE LOANS CLOSED</p> <p>1st Mortgages Home Equity Loans</p> <p>\$24m \$82m</p>	<p>CONSUMER LOANS CLOSED</p> <p>8,218</p> <p>\$72m</p>
<p>BUSINESS LOANS CLOSED</p> <p>\$21m</p> <p>124</p>	<p>NET CHARGE OFFS TO AVERAGE LOANS</p> <p>.15% VSECU .44% peer group</p>	<p>TOTAL LOAN PORTFOLIO growth in millions</p> <p>2010 2011 2012 2013 2014</p>



STATEMENT OF FINANCIAL CONDITION	2014	2013
ASSETS		
MEMBER LOANS, NET ALL	\$475,440,869	\$436,116,916
INVESTMENTS	\$145,248,212	\$150,253,603
FIXED ASSETS	\$15,068,267	\$14,593,140
NCUA SIF	\$5,559,651	\$5,229,836
OTHER ASSETS	\$13,520,277	\$12,520,768
TOTAL ASSETS	\$654,837,276	\$618,714,263
LIABILITIES & MEMBER EQUITY		
LIABILITIES	\$5,355,133	\$2,870,772
BORROWED FUNDS	\$6,000,000	\$13,472,349
MEMBER SHARES/SAVINGS	\$589,102,414	\$550,622,364
REGULAR RESERVES	\$11,953,743	\$11,953,743
UNDIVIDED EARNINGS	\$42,327,293	\$40,104,955
ACCUM OTHER COMP GAIN/(LOSS)	\$98,693	(\$309,920)
TOTAL LIABILITIES & EQUITY	\$654,837,276	\$618,714,263

STATEMENT OF INCOME	2014	2013
MEMBER LOAN INTEREST	\$19,917,202	\$19,078,091
INVESTMENT INTEREST	\$1,258,991	\$1,137,943
TOTAL INTEREST INCOME	\$21,176,193	\$20,216,034
DIVIDEND EXPENSE ON MEMBER DEPOSITS	\$4,546,652	\$4,695,100
INTEREST EXPENSE ON BORROWING	\$222,620	\$244,470
TOTAL INTEREST EXPENSE	\$4,769,272	\$4,939,570
NET INTEREST INCOME	\$16,406,921	\$15,276,464
PROVISION FOR LOAN LOSS EXPENSE	\$714,700	\$1,328,333
NET INTEREST INCOME, AFTER PLL	\$15,692,221	\$13,948,131
NON-INTEREST INCOME	\$6,899,046	\$7,769,038
NON-INTEREST EXPENSE	\$20,750,519	\$19,211,390
NON-OPERATING GAIN/(LOSS)	(\$6,761)	(\$4,755)
NET INCOME	\$1,833,987	\$2,501,024



PRODUCTS & SERVICES	BELIEFS	SUSTAINABLE PRINCIPLES
FAIR PRICE CONVENIENCE equitable VALUABLE UNIVERSAL APPEAL	HONOR MEMBER VOICE & PARTICIPATION PROVIDE SUPPORT advocacy vital to Vermont's financial health	HEAT shelter food FINANCIAL EDUCATION

VSECU is a credit union for everybody in Vermont. We are a not-for-profit financial cooperative that is owned by its members. Our profits go back to our member-owners in the form of higher saving rates, lower loan rates, and more affordable services. We do not exist to benefit outside stockholders.

Our roots go back to 1947, when the Vermont State Employees Credit Union was organized by seven employees of the State of Vermont. Membership was open only to employees of the State of Vermont until the 1960's when membership expanded to include family members of any current credit union member. Other select employee groups and their employees were gradually added into our membership throughout the years. In 2002 we shifted to a community-based field of membership where anyone who lived or worked in certain counties could become a member. In 2009 the long term goal of being inclusive for all Vermonters was achieved and we became the first credit union with a statewide field of membership. Today, anyone who lives or works in Vermont can become a member of VSECU.

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