

# ANNUAL REPORT


2017

LYYC

***Northeast***  
CREDIT UNION

---

♥ your community



*"Each one of us has the power to make a positive difference in someone's day just by extending a little kindness. It's a choice we make; so choose to "Love Your Community" today."*

—  
Tim Colli, President/CEO

Serving NECU members for 15 years

## PRESIDENT'S AND CHAIRMAN'S REPORT

They say families are like trees, we grow in different directions yet our roots all remain as one. When we think of Northeast Credit Union, we can't help but think of us all as one big family doing our part to improve and strengthen our communities one person at a time. Family sticks together through the good times and the challenging times and is devoted to helping one another to be and do the very best. Thanks to you, our loyal members and to our dedicated employees, 2017 was a year of growth, new advances, great accomplishments and a renewed commitment to improving the communities we serve to better the places we live, work and thrive.

We realize you juggle many roles in your day-to-day life – working professional, community member, student, family member – you should have a reliable partner to help you through what life brings your way. Our purpose is to deliver the very best service and to offer truly competitive products and services that are tailored to meet your changing needs and help you through the good – and sometimes unexpected – paths life can take. That commitment is coupled with our dedication to provide you with expert guidance to help you make informed decisions about your financial life.

We celebrate the people and places that make our New England communities so special. Firmly ensconced in the quaint towns and bustling cities of New Hampshire, expanding into Maine was a natural progression for Northeast Credit Union. Our 2017 merger with Ocean Communities Federal Credit Union welcomed five new branches in Maine's Cumberland and York counties

making Northeast Credit Union one of the top credit unions in the Northeast with 20 branches, 124,000+ members and an expanded team of professionals eager to serve our members. Our growth has created 20 new jobs, further enhancing the positive impact on the communities we serve.

### STRENGTHENING OUR SERVICE CHANNELS TO PROVIDE CONVENIENT ACCESS

We believe managing your accounts should always be simple, fast, convenient and secure. We value your feedback and continually make improvements in all the ways you choose to interact with us – whether at a local branch or neighborhood ATM, by phone, online or via your mobile device.

In 2017, to better serve you, and as a result of our joining together with Ocean Communities, our branch network expanded to 20 branches and 26 ATMs with the addition of our five new Maine branches in Biddeford, Kennebunk, Saco, Sanford and Westbrook.

With the expansion of our branch network, you have greater convenience when you're home, but we also have you covered when you're traveling. Beginning in 2017, through our affiliation with Co-Op Shared branching nationwide, we've expanded our convenience to more than 5,000 shared branching locations so you can make deposits, withdrawals, loan payments and more just like you were at your local Northeast Credit Union branch.

*"Sometimes it is the smallest thing that can bring a smile to someone such as a smile or a chocolate chip cookie. It doesn't have to be a grand gesture, but more a little of what someone needed that day."*

—  
Sue, Manchester NH - Lending Department

Serving NECU members for 29 years

In 2017, we also introduced Instant Card Issue at all of our branch locations. No more waiting 7-10 days for your new debit and/or credit card to arrive in the mail. You can now come to any of our 20 branches and have your chip-enabled debit or credit card issued on the spot.

#### ENHANCED TECHNOLOGY SECURITY

Northeast Credit Union continues to improve the security, convenience and banking experience through the introduction of enhanced technology. We are always looking to introduce tools to better provide you ways to interact with your money, to help you streamline your financial goals and simplify your lives. In 2017 we added several technology enhancements to better serve you:

#### ONLINE BANKING ENHANCEMENTS

- New eDocument Center for all electronic notices, account statements, and tax forms
- Self-service online enrollment
- Self-service member initiated unfreeze /unlock password

#### MOBILE TECHNOLOGY ENHANCEMENTS

- Touch ID for Android devices
- Improved Bill Pay functionality with the ability to add, edit or delete payments and payees, and set up recurring payments
- Upgrades to P2P (Person-to-Person payments) service allowing recipients to direct funds to their checking account or their Visa® Debit Card resulting in a faster, more convenient and secure payment experience

#### MOBILE DEPOSIT ENHANCEMENTS

- Self-service Mobile Deposit enrollment with immediate usage access
- Real-time posting allows for quicker access to your funds

We appreciate and value your feedback as we continue to balance technology innovation and the pace of change impacting you. We are committed to learning from each initiative, as we work to provide you with a positive online experience.

#### SUPPORTING OUR COMMUNITY - THE LYC

Northeast Credit Union believes if you love your community, it will love you back. In July of 2017, we launched "The L-Y-C" or Love Your Community, branding campaign.

There's no hard sell; it's a genuine reflection of something everyone in our organization believes to be true: *a little love goes a long way*. The sentiment is simple yet powerful, and close to the hearts of the entire organization: enjoy the people around you and embrace your community. Show your appreciation for others! Being kind is contagious and the rewards are endless.

Showing our love for the community comes naturally to all of us at Northeast Credit Union. Whether it's volunteering, helping our friends or family, smiling at a stranger – we understand how even the smallest act of caring can make each day just a little better.



*"Small deeds of kindness can make all the difference!"*

June, Somersworth NH - eCommerce Department

Serving NECU members for 13 years

We showed our love and caring in many ways this past year including participating in Random Acts of Kindness Week, hosting Fun at Work Day activities, and in the countless ways we support and celebrate those people doing good things in our communities. Northeast Credit Union invested a whole lot of heart, plus more than \$90,000 toward New Hampshire and Maine organizations that change lives and strengthen our communities. We sponsored over 120 community initiatives and our staff volunteered at more than 30 events. In addition, we invested \$40,000 in college scholarships to our student-members who demonstrated a dedication to their community involvement and commitment to academics.

We encourage you to join us in celebrating our communities by showing small acts of kindness whenever possible.

## FINANCIAL EDUCATION - THRIVE

Education leads to financial strength. As part of our mission, we continue to invest in the tools and resources you need to manage your finances while supporting your endeavors through all stages of life. Northeast Credit Union is here to provide financial education and resources for you to thrive.

### NECU'S THRIVE PROGRAM INCLUDES:

- Interactive financial fairs offered to schools, giving students the opportunity to experience a "real world" budgeting exercise first-hand.
- A library of financial articles and resources found on our website, along with an array of helpful calculator tools. Articles are shared through our social media channels, our newsletter and hosted on our website at [necu.org](http://necu.org).

- Events and Seminars – Northeast Credit Union hosts seminars and events throughout the year to educate our community on first-time home buying, building or renovating a home (construction loans) and other financial education programs such as planning for retirement.
- An online education platform, Banzai, offered to area schools free of charge to promote budgeting conversations and learning in the classroom.

## 2017 BY THE NUMBERS

The numbers we are reporting this year are a direct reflection of the health and stability of your credit union. Our organic growth was supplemented by the merger with Ocean Communities Federal Credit Union leading to double-digit increases in all major categories.

Northeast Credit Union closed out 2017 with total assets of \$1,313,181,735, an increase of \$211,728,663 which is a 19.22% increase from 2016.

Deposits reached \$1,123,595,967, an increase of \$174,674,857 or 18.41% from 2016.

Our members continue to make Northeast Credit Union their lender of choice, helping us finish the year with record loan balances once again, totaling \$1,139,452,584 for 2017. That total marks an increase of \$171,898,308 or 17.77% on the year. We experienced strong loan growth, and like last year, our loan delinquency ratios remained below the industry averages.

In the end, our 2017 financial activity translated into a net income of \$9.3 million, which supported a return on assets of 0.77%.

*"I take pride serving in my community because bringing hope into dark places is part of my passion. I also take pride in living healthy with my husband because we believe eating well and taking care of ourselves is important. We can think, move, and work better when we love ourselves. Lastly, investing time into my relationships (friends, family, etc.). They are wonderful and I come alive with people. Humans are amazing."*

—  
Jessica, Berlin NH - Berlin Branch  
Serving NECU members for 1 year

## LOOKING AHEAD

Our commitment to our members and to our community has not changed since our beginnings; we remain focused on bettering your financial life today and in the future. To do that, we must fully understand your unique needs and expectations, then strive continuously to meet and exceed them. We do this by understanding that life doesn't follow one straight path, but involves many choices, opportunities and challenges.

The future is bright. As we embark on 2018, we are committed to remaining focused on delivering the highest value to our members through enhanced technology, competitive rates, convenience, top products, a high-end member experience and community involvement. That said some of our organizational focus for the year will be:

- Maintaining the financial strength of the cooperative through continued growth in New Hampshire and Maine.
- Building deeper member relationships through service with the focus on delivering a positive member experience on all levels.
- Enhancing convenience for you by investing in additional technology products to simplify the management of your finances.
- Teaming up with partners throughout our communities to offer financial literacy programs.

Our dedication to each individual member is unwavering. We exist to serve the membership. We love to hear the stories of how lives have improved through the service and advice of our dedicated staff. These instances become truly life changing as members' financial burdens are lightened.

As we look back on a year with new advances and promising changes, including a historical merger welcoming Maine into our family, we are proud that Northeast Credit Union continues to offer our members the technology, products, and services you deserve. With that said, we realize our job is never done. A sustainable excellent institution must continuously evaluate and improve each pillar of its operation in order to remain efficient and to provide our key constituents – our members, employees, and our community – the commitment to excellence you deserve. Thank you for the trust that you place in Northeast Credit Union – we do not take it lightly; we value your membership. With each interaction, we seek to improve our service and your experience. Together we will do great things.

Respectfully submitted,



Timothy J. Collia  
President/CEO



Philip W. Sullivan  
Chairman, Board of Directors

*"Small acts of kindness can have a big impact.  
Even just a smile can have a positive impact."*

—  
Marcia, Berwick ME – Indirect Lending Department  
Serving NECU members for 5 years

## SUPERVISORY COMMITTEE REPORT

Northeast Credit Union Supervisory Committee's mission and purpose are to protect the financial welfare of its members by examining the affairs of Northeast Credit Union, directing and overseeing an annual audit of the Credit Union's financial statements, and reporting to the appropriate regulatory agencies as required. The Committee provides independent advice, assistance, and recommendations to the Board in the oversight of the credit union's operations (internal and external) and audit functions, and supports the Board of Directors in the fulfillment of its oversight responsibilities.

The Committee's primary duties and responsibilities include: monitoring the integrity of financial reporting, compliance with legal and regulatory requirements, appointment and supervision of independent auditors, performance of internal audit functions, evaluation of internal controls and operational risk management, evaluation of the performance of credit union officials, and providing an avenue of communication among the independent auditors, independent third parties performing operational auditing/quality control functions, and the Board.

During 2017, the Supervisory Committee engaged the following firms to provide auditing services for Northeast Credit Union:

- Berry Dunn – External Audit
- MacPage LLC – Internal Audit Support and Compliance Support with the Bank Secrecy Act, the Office of Foreign Assets Control, and the Patriot Act
- Castlegarde – IT Security

Northeast Credit Union received an unmodified opinion from the 2017 External Audit. The Bank Secrecy Act, the Office of Foreign Assets Control, and the Patriot Act Compliance Audit were all satisfactory and the IT Security Audit conducted by Castlegarde found the credit union to be among the strongest performing credit unions in IT security and IT management. MacPage LLC continued to provide the credit union with Internal Audit support and their reports to us indicate that NECU's internal controls are effective and working as designed.

In addition to these audits, the State of New Hampshire Banking Department and the National Credit Union Administration (NCUA), conducted an on-site examination of Northeast Credit Union during 2017. There were no significant findings and the credit union received very high ratings from both of these agencies as well.

In conclusion, the Supervisory Committee is pleased to report that the credit union ended 2017 in a very strong position and enters 2018 in an excellent position to serve the financial needs of its members.



Gerald J. Gouveia  
Chairman, Supervisory Committee

*"The little things you do can have a significant impact on someone else. A little love, a kind word, a thought, a smile, an extra moment to ask about someone's day; these all have the power to alter someone's perspective entirely. We have so many opportunities to take that tiny extra step and make things different or better for someone. We should do this all the time."*

Marilyn, Newmarket NH - Learning & Development Department

Serving NECU members for 2 years

## COMPARATIVE BALANCE SHEET

|                                       | 2017**               | 2016*                | % Change    |
|---------------------------------------|----------------------|----------------------|-------------|
| <b>ASSETS</b>                         |                      |                      |             |
| Loans to Members                      | 1,139,452,584        | 967,554,276          | 17.8        |
| Less:                                 |                      |                      |             |
| Allowance for Loan Loss               | (6,173,948)          | (6,876,258)          | -10.2       |
| <b>Net Loans</b>                      | <b>1,133,278,637</b> | <b>960,678,018</b>   | <b>18.0</b> |
| Cash & Receivables                    | 19,916,436           | 14,521,039           | 37.2        |
| Investments                           | 95,662,788           | 84,611,783           | 13.1        |
| Accrued Income                        | 4,315,641            | 2,374,371            | 81.8        |
| Prepaid Expense                       | 2,954,529            | 1,369,157            | 115.8       |
| Fixed Assets                          | 24,786,248           | 19,997,912           | 23.9        |
| Other Assets                          | 21,220,639           | 8,964,755            | 136.7       |
| Deposit in NCUSIF                     | 11,046,817           | 8,936,036            | 23.6        |
| <b>Total Assets</b>                   | <b>1,313,181,735</b> | <b>1,101,453,072</b> | <b>19.2</b> |
| <b>LIABILITIES &amp; EQUITY</b>       |                      |                      |             |
| Accounts Payable                      | 2,345,218            | 2,269,872            | 3.3         |
| Notes Payable                         | 45,210,028           | 27,702,076           | 63.2        |
| Accrued Expenses                      | 3,642,653            | 2,278,696            | 59.9        |
| Other Liabilities                     | 4,746,425            | 4,074,429            | 16.5        |
| Shares                                | 1,123,595,967        | 948,921,110          | 18.4        |
| Regular Reserve                       | 9,442,618            | 9,442,618            | 0.0         |
| Undivided Earnings                    | 124,198,826          | 106,764,272          | 16.3        |
| <b>Total Liabilities &amp; Equity</b> | <b>1,313,181,735</b> | <b>1,101,453,072</b> | <b>19.2</b> |

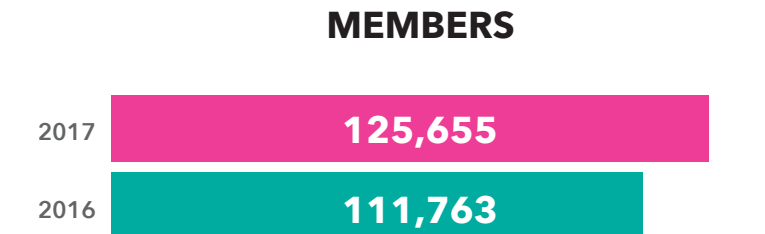
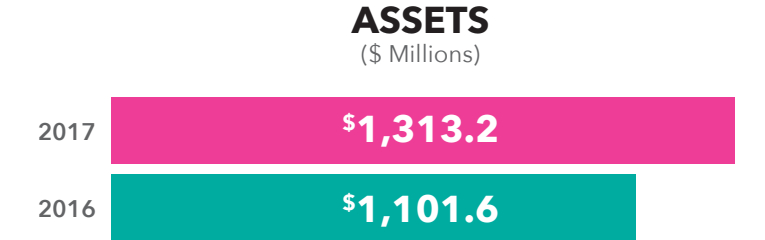
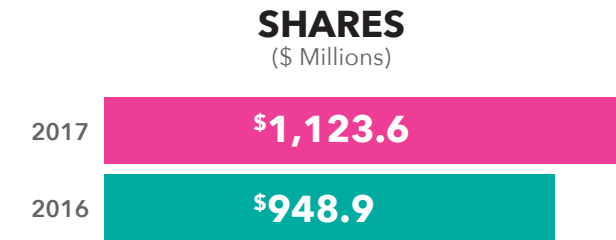
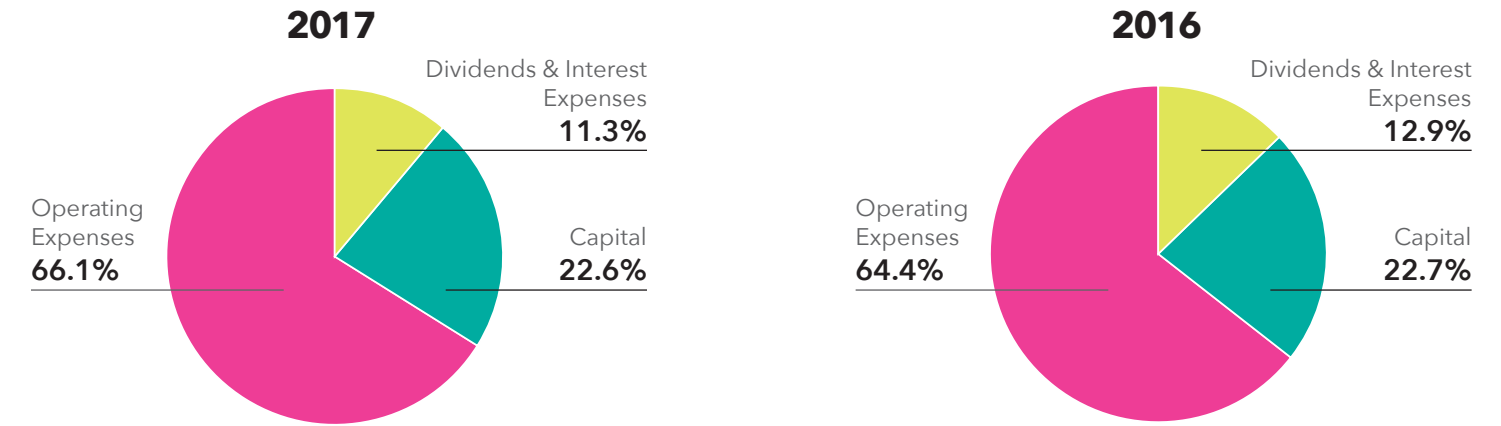
\*NECU only  
\*\*NECU/OCFCU

# INCOME STATEMENT

|                                      | 2017**            | 2016*             | % Change    |
|--------------------------------------|-------------------|-------------------|-------------|
| <b>INCOME</b>                        |                   |                   |             |
| Interest on Loans                    | 37,157,974        | 32,957,063        | 12.7        |
| Income from Investments              | 1,323,575         | 739,338           | 79.0        |
| Fees & Charges                       | 6,665,411         | 5,830,255         | 14.3        |
| Other Income                         | 9,453,225         | 8,372,881         | 12.9        |
| <b>Total Operating Income</b>        | <b>54,600,185</b> | <b>47,899,537</b> | <b>14.0</b> |
| <b>OPERATING EXPENSES:</b>           |                   |                   |             |
| Compensation                         | 14,295,638        | 12,168,483        | 17.5        |
| Employee Benefits                    | 4,153,372         | 3,656,051         | 13.6        |
| Travel/Conference/Training           | 287,237           | 287,745           | -0.2        |
| Association Dues                     | 89,802            | 85,147            | 5.5         |
| Office Occupancy                     | 1,761,479         | 1,542,705         | 14.2        |
| Depreciation                         | 783,650           | 737,602           | 6.2         |
| Office Operations                    | 3,837,587         | 3,529,195         | 8.7         |
| Depreciation                         | 959,691           | 1,011,630         | -5.1        |
| Education & Promotions               | 1,690,820         | 1,489,722         | 13.5        |
| Loan Service Expense                 | 2,604,379         | 2,133,041         | 22.1        |
| Prof. and Outside Services           | 3,989,663         | 3,215,000         | 24.1        |
| Data Processing                      | 1,206,060         | 829,920           | 45.3        |
| Operating Fee                        | 65,970            | 15,500            | 325.6       |
| Cash (Over) and Short                | 2,416             | (1,257)           | -292.2      |
| Annual Meeting Expense               | 5,404             | 5,828             | -7.3        |
| Misc. Operating Expense              | 349,851           | 138,607           | 152.4       |
| <b>Total Operating Expenses</b>      | <b>36,083,019</b> | <b>30,844,919</b> | <b>17.0</b> |
| Non-Operating Gains/(Losses)         | (23,597)          | (172,945)         | -86.4       |
| Provision for Loan Losses            | (3,029,160)       | (3,316,749)       | -8.7        |
| Income Before Dividends              | 15,464,409        | 13,564,924        | 14.0        |
| Less Dividends/Interest Expense Paid | (6,188,436)       | (6,162,924)       | 0.4         |
| <b>Net Income</b>                    | <b>9,275,973</b>  | <b>7,402,000</b>  | <b>25.3</b> |

\*NECU only  
\*\*NECU/OCFCU

# OPERATING INCOME DISTRIBUTION





## EXECUTIVE TEAM



**Timothy J. Collia**  
President/  
Chief Executive Officer



**Michael H. Gagnon**  
Senior Vice President/  
Chief Technology Officer



**Stephen J. Giguère**  
Senior Vice President/  
Chief Financial Officer



**Judy A. Morin**  
Senior Vice President/  
Chief Operating Officer



**Andrea E. Pruna**  
Senior Vice President/  
Chief Marketing & Retail Officer



**Suzanne R. Ladd**  
Vice President  
Consumer Lending



**Jonathan T. Otterson**  
Vice President  
Investments



**Traci J. Tenggren**  
Vice President  
Human Resources



**David J. Wolf**  
Vice President  
Indirect Lending

## BOARD OF DIRECTORS

Philip W. Sullivan, *Chairman*

Gerald J. Gouveia, *Vice Chairman*

Victor M. Collinino, *Treasurer*

Theresa P. Palumbo, *Secretary*

Raymond L. Bald

Richard P. Fournier

Justin S. Gamester

Karen S. Groves

Regis M. Saucier

## ALM COMMITTEE

Victor M. Collinino, *Chairman*

Terrance L. Beers

Karen S. Groves

Michael V. Palumbo

## DELINQUENCY COMMITTEE

Justin S. Gamester, *Chairman*

Raymond L. Bald

William S. Kany

## MARKETING COMMITTEE

Karen D. Chasse, *Chairperson*

## SUPERVISORY COMMITTEE

Gerald J. Gouveia, *Chairman*

Scott J. Barden

Troy A. Blanchard

## VOLUNTEERS

Scott J. Barden

Terrance L. Beers

Troy A. Blanchard

Karen D. Chasse

William S. Kany

Michael V. Palumbo

# The LYC Story

---

THE SENTIMENT IS SIMPLE YET  
POWERFUL, AND CLOSE TO THE HEARTS  
OF THE ENTIRE ORGANIZATION:  
ENJOY THE PEOPLE AROUND YOU  
AND EMBRACE YOUR COMMUNITY.  
SHOW YOUR APPRECIATION FOR OTHERS!  
BEING KIND IS CONTAGIOUS  
AND THE REWARDS ARE ENDLESS.

At the heart of every community

are good people...

doing great things.

Small gifts.

Big hugs.

Little gestures.

No matter how you show your appreciation,  
it's the heart behind it that matters most.

A little love goes a long way.

Northeast Credit Union is proud to join you in celebrating the  
people and places that make our communities special.

*"A little love goes a long way because it acts as a catalyst  
to something bigger - a sense of community."*

Traci, Newton NH - Human Resources Department

Serving NECU members for 1 year

# **Northeast** CREDIT UNION

—  
♥ your community

**Call:** 888.436.1847 | **Click:** [necu.org](https://necu.org) | **Visit:** [necu.org/locations](https://necu.org/locations)

BERLIN | BIDDEFORD | CONCORD | CONWAY | DOVER | EXETER | GORHAM | KENNEBUNK | LEBANON | LEE | MANCHESTER  
MERRIMACK | NORTHWOOD | PLYMOUTH | PORTSMOUTH | PORTSMOUTH NAVAL SHIPYARD | ROCHESTER | SACO | SANFORD | WESTBROOK

