

# DO GOOD. BE GREAT.

ANNUAL REPORT 2018



♥ your community

# 2018

## BY THE NUMBERS

**\$11.4** MILLION  
**NET INCOME**

**300+**  
**EMPLOYEES**

**\$1.3** BILLION  
**LOANS**

**\$1.5 BILLION**  
**TOTAL ASSETS**

## PRESIDENT'S AND CHAIRMAN'S REPORT

### EVERYTHING YOU DO MAKES US BETTER.

Reaching beyond the ordinary to achieve the extraordinary.

By the very nature of our existence, Northeast Credit Union is laser-focused on the needs of our members, because you are more than members, you are the owners.

Your needs are our needs. We share in your challenges, and your successes. Your community is our community. And so, we take our cues from you – every day, in every way.

Our commitment to delivering you greater conveniences and an optimized member experience has helped us grow and improve every aspect of the NECU organization.

In 2018, we were slightly under \$1.5 billion in assets, solidifying our position as a trusted financial partner. That trust, in turn, is directly responsible for helping us attract more members to our ranks – 132,596 by our last count.

That kind of growth can create challenges, such as maintaining the high level of service you, as a member, have come to expect from NECU.

Fortunately, we have also been adept at hiring exceptional, attentive individuals. More than 300 people now share their incredible talents with us as employees, delivering on our promise to always exceed members' expectations.

And exceed them, we did. Not only in terms of personalized service, but also in providing competitive financial products that resulted in phenomenal loan growth.

We outpaced last year's record balances, registering growth across all loan types. This included an increase on VISA® credit card balances, over a 5% rise in mortgage lending, significant increases in both new and used auto loans of over 16%, and a 16% bump in business loans.

The numbers speak for themselves. But the true measure of our success is when you, our members, speak up and voice your approval. Last year member satisfaction rose three points over 2017 to an impressive member rating of 94%. Of course, 94% is not 100%, and even if we reached complete satisfaction, we would not stop striving to do better and be better.

Our relentless drive for perfection was captured by Forbes Magazine in an extensive survey they conducted of financial institutions nationwide. Based on overall recommendations and satisfaction in the areas of trust, terms and conditions, branch services, digital services, and financial advice, Forbes rated NECU the Best Credit Union in New Hampshire.

It is well-deserved recognition for our staff, and proof that we are succeeding in our mission to deliver value at every touchpoint for our member-owners.



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



**Philip W. Sullivan**  
Chairman/  
Board of Directors





## DO GOOD. BE GREAT.

When we witness the myriad ways our member-owners make a difference in others' lives and in their communities, it inspires us to make a difference for them, too.

We do that by generously giving back to those same communities, and also by making life easier and more prosperous for members through the banking services and experiences we provide for them.

## EDUCATION AND ASSISTANCE.

In 2018, we launched a new series of "how-to" videos and a Checking Quickstart Guide to walk members step-by-step through using our products and services.

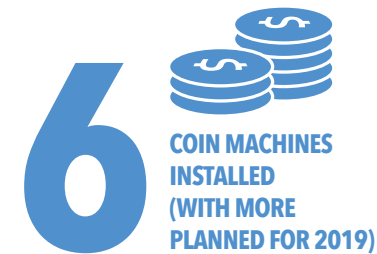
We also rolled out e-Banking events in our branches to help members embrace new technology by demonstrating tasks such as making mobile deposits directly from their mobile devices. The sessions were so well received you will see them continue and expand in 2019.

At the request of members, and in particular to help our younger members develop smart saving habits, we installed self-service coin machines in 6 branch locations, with more planned for 2019.

While the Federal Reserve saw fit to raise interest rates several times over the course of 2018, NECU chose a different course and held our variable VISA® credit card rates steady for members. This certainly was a major contributor, as we mentioned earlier, in the gains we registered for VISA® card balances.

We recognize though, that not all our members were able to share equally in that success. Many were impacted by the government shutdown at the end of the year. Fortunately, our strong showing allowed us to provide relief to those individuals and families in the form of specialized assistance programs.

We have built our reputation on standing by our members for more than 80 years. You rely on us to be there, and we will always be there for the moments that matter.



## TECHNOLOGY AND CONVENIENCE.

Being there for members also means making their lives simpler and easier by seeking out opportunities to employ new technologies in ways that support the friendly, personal service for which we're recognized.

As part of those efforts, we expanded our mobile wallet offerings to include Samsung and Google Pay, along with Apple Pay.

The 2018 launch of myMoney, a robust personal financial tool helped users be more successful in tracking and reaching their goals by allowing them to:

- Aggregate accounts
- Manage cash flow
- Track their net worth
- Manage budgets
- Establish short- and long-term goals
- Plan for retirement

Correspondingly, to provide financial tips and solutions that can help members be successful through all phases and stages of life, we developed and launched Thrive. It's a comprehensive online financial education platform that dispenses on-demand financial education through blogs and webinars. The coming year will see us roll out this popular program into more of the communities we serve.

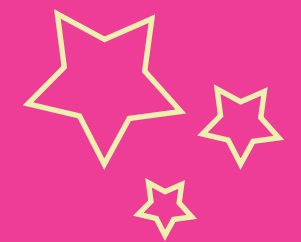
The introduction of a new document center also proved popular with our Online Banking members. The center not only alerts users when new statements, notices and tax forms are available, but also allows them to quickly and easily review those documents.

Online Banking members also received two additional upgrades in the form of an easier process for qualified users to opt-in to our annual Skip-A-Pay loan program. Plus, signing documents electronically is now easier and more secure than ever thanks to our newly expanded DocuSign® service.

It's all part of doing the right thing for members so they experience a richer, more personalized banking relationship.

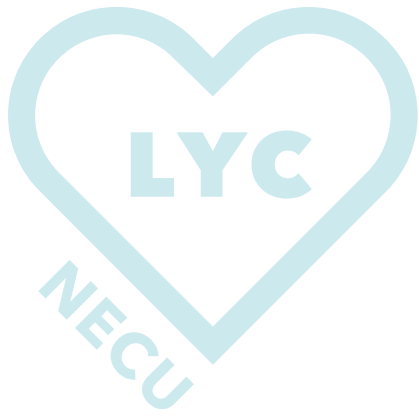


# \$22,000 RAISED FOR MAKE-A-WISH NEW HAMPSHIRE



Alexis' kind heart and desire to help those in need was the reason she was nominated for Nice Catch. She's spent time creating kits filled with items such as soap, toothpaste, shampoo, scarves and money from her own pockets to hand out to the homeless on the streets of Boston.

We had the honor of celebrating Halloween with our community partner, Make-A-Wish New Hampshire at their Trick-Or-Treat event in Manchester.



## MORE THAN A CREDIT UNION - A COMMUNITY CENTER.

Over the years, we've found the best investment with the most amazing returns comes from simply being kind and spreading love to improve the lives of others.

That's the message we've been promoting through "The LYC (Love Your Community) Project". In 2018, we established a sister program called "Nice Catch," to identify and celebrate children who consistently demonstrate kindness and compassion in their communities.

In its inaugural year, we were proud to receive more than 40 nominations, from which we chose 12 deserving young winners. We then hosted them, along with family and friends, at New Hampshire Fisher Cats' and Portland Sea Dogs' games. As our special guests, they threw out the first pitch and enjoyed a celebration to reward them for their kindness and generous spirit.

Moved by their selfless acts of kindness, we made a larger investment of our own in The LYC Project for 2018. Here's a small sampling of the ever-expanding list of organizations we donate to, and spotlight, for their dedicated efforts to improve the lives of others in our communities:

- Make-A-Wish NH
- Maine Ending Hunger
- Children's Hospital at Dartmouth
- NH SPCA
- Strafford County Homeless Shelter
- Seacoast Science Center

2018 also saw NECU increase its participation in a variety of Financial Fairs throughout our communities. In partnership with Maine and New Hampshire Credit Unions, we visited middle schools and high schools in each state to present real life exercises in budgeting for students.

We challenge all our members to join us in spreading kindness throughout our communities. It doesn't have to be a grand gesture. Just a simple random act of friendliness can go a long way. Capture what you or your group is doing and share it with us as part of The LYC Project. Let's spread the love this year, and every year.



Tim Collia, President/CEO of NECU, greets recipients of Make-A-Wish NH.



# 178+

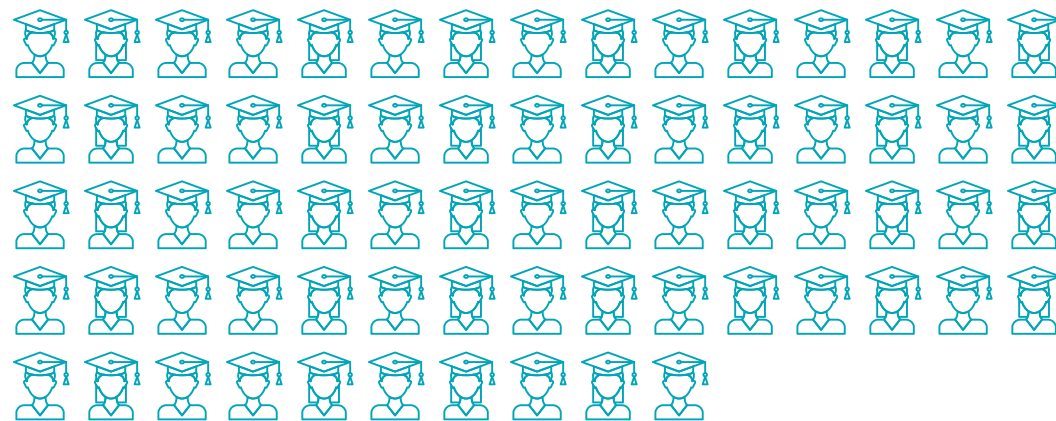
SPONSORSHIPS AND DONATIONS  
PROCESSED IN 2018

# 40

NICE CATCH NOMINATIONS RECEIVED

FINANCIAL FAIRS  
ATTENDED

# 14



70 SCHOLARSHIP APPLICATIONS RECEIVED

## THE FUTURE OF NECU IS THE FUTURE OF BANKING.

As we look ahead to 2019, NECU is establishing itself at the forefront of banking, not just among credit unions, or within our region, but nationally among all financial institutions.

Our scores in the Forbes survey mentioned earlier were higher than all but just a handful of credit unions across the U.S. and way above the vast majority of traditional financial institutions.

We expect our leadership to continue following the opening of our "Branch of the Future" this spring in Hooksett. This technologically advanced facility will embrace service pods in an open, inviting retail environment. Its tech bar will give branch staff ideal space to demonstrate our online and mobile capabilities to members.

Many more amenities and conveniences, such as Interactive Teller drive-up lanes will ensure we deliver the high-tech/high-touch service and programs our member-owners deserve.

When the new construction is complete, we will turn our attention to our next major growth project - planning the future headquarters of Northeast Credit Union in Newington, NH.

The land has already been purchased. Next up will be the design phase as we aim to create a company people not only want to work for, but a building stocked with technological advancements that everyone will want to work in.

We need to maintain our standing as an employer of choice in the region, so we can recruit the best and brightest to attend to your financial needs.

Based on the strong communities we help build, coupled with the support and trust you, your families and businesses have placed in us since 1936, we look forward to yet another strong financial showing for us and for you, our member-owners, in 2019.

RESPECTFULLY SUBMITTED,

TIMOTHY J. COLLIA, PRESIDENT/CEO  
AND PHILIP W. SULLIVAN, CHAIRMAN/BOARD OF DIRECTORS

# \$5,000 RAISED FROM SHOW YOUR LOVE FRIDAYS



(JEANS DAY)



# SUPERVISORY COMMITTEE REPORT

The Supervisory Committee's responsibilities may be summed up as "providing critical and active oversight over the governance functions of the Credit Union. This includes ensuring that management and the Board are fulfilling their responsibilities as good stewards of the member's money."

The Committee's primary duties and responsibilities include: engaging auditors to perform an annual audit of the Credit Union; providing an annual report on the audit to the Board of Directors and the Credit Union members; conducting verification of members' accounts at least bi-annually; ensuring that the Board of Directors and management are safeguarding the Credit Union's assets; ensuring that management complies with the Credit Union's policies and plans; reviewing internal controls; reviewing examination and audit findings and follow-up to ensure that management takes the necessary corrective action when appropriate; and meeting with the federal and state examiners.

The Supervisory Committee is pleased to report that it has been actively involved in these activities. The Committee meets regularly with management and representatives from auditing firms to ensure that these fiduciary duties have been fulfilled. In addition, the Committee provides independent advice, assistance, and recommendations to the Board in the oversight of the Credit Union's operations and audit functions, and supports the Board of Directors in the fulfillment of its fiduciary responsibilities.

During 2018, the Supervisory Committee engaged the following firms to provide auditing services for Northeast Credit Union:

- Berry Dunn - Consolidated Financial Statements Audit
- Wipfli | MacPage, LLC - Internal Audit Services
- M&M Consulting, LLC - Compliance Audit Services
- CastleGarde, Inc. - Information Security Audits

Northeast Credit Union's 2018 Consolidated Financial Statements Report prepared by Berry Dunn includes an Independent Auditor's Report that conveys the following opinion:

*In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northeast Credit Union and Subsidiary as of June 30, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.*

During 2018, the National Credit Union Administration (NCUA), in conjunction with the State of New Hampshire's Banking Department, conducted an onsite examination of Northeast Credit Union. There were no significant findings and the Credit Union continues to maintain favorable ratings from both agencies. In addition, Maine's Bureau of Financial Institutions conducted an onsite Compliance Examination that resulted in a satisfactory rating.

In conclusion, it is the Supervisory Committee's opinion that the Credit Union is well managed and continues to maintain its status as a sound financial institution. Northeast Credit Union enters 2019 in an excellent position to serve the financial needs of its members.

**RESPECTFULLY SUBMITTED,**

**SCOTT J. BARDEN, CHAIRMAN/SUPERVISORY  
COMMITTEE**

## 2018 BY THE NUMBERS

**\$1.2** BILLION  
**SHARES**

**\$6,735**  
**RAISED FOR  
MAINE ENDING  
HUNGER**

**94%**  
**MEMBER  
SATISFACTION  
RATING**

**132,596**  
**MEMBERS**





Grace was nominated for her participation in an initiative known as RACK (or Random Acts of Christmas Kindness). During the month of December, Grace performed a random act of kindness for that day by pulling a random written task out of a bag. Among her favorite acts of kindness are feeding the horses carrots and peppermints, leaving quarters on the vending machines at grocery stores for other parents and children to receive prizes, and creating toiletry baskets for her teachers.



Northeast Credit Union attends the CelebratePink 5K Run & Walk which is an annual fundraiser that brings runners and walkers together to raise money for local breast cancer patients.



Sarinya S. and Jess D., from NECU, bring donations to the Cochecho Valley Humane Society during Random Acts of Kindness Week.



Sabrina, an NECU member, is living our Love Your Community (LYC) values in Haiti, where she is currently on a rescue mission.



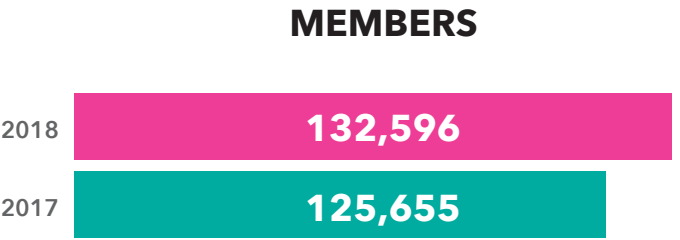
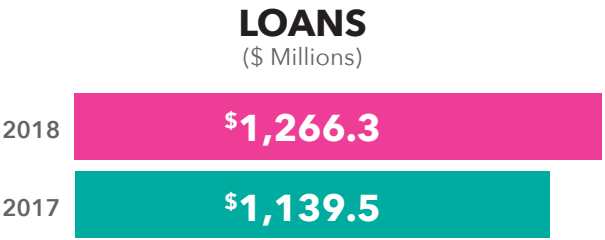
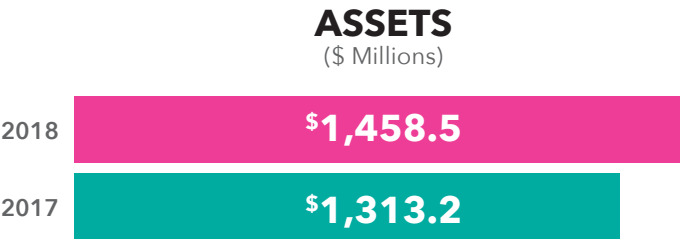
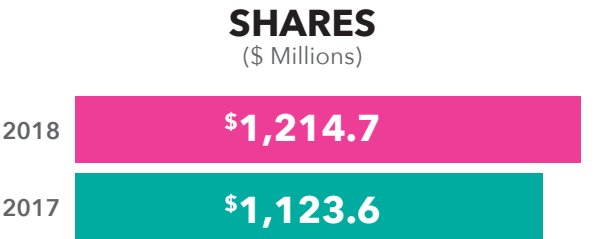
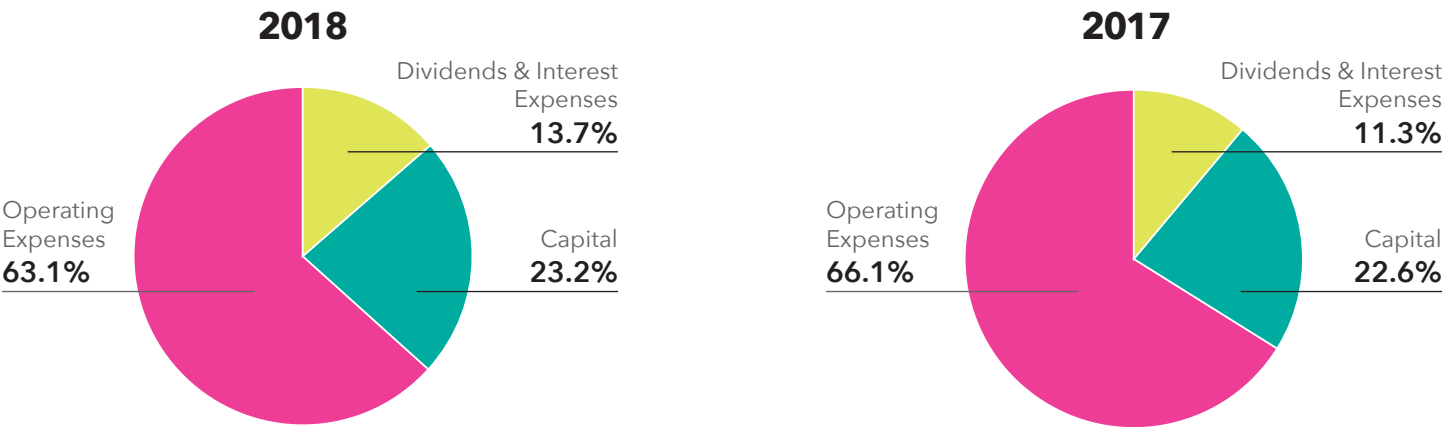
## COMPARATIVE BALANCE SHEET

	2018	2017	% Change
<b>ASSETS</b>			
Loans to Members	1,266,263,924	1,139,452,584	11.1
Less:			
Allowance for Loan Loss	(6,444,083)	(6,173,948)	4.4
<b>Net Loans</b>	<b>1,259,819,841</b>	<b>1,133,278,637</b>	<b>11.2</b>
Cash & Receivables	19,512,288	19,916,436	-2.0
Investments	105,100,785	95,662,788	9.9
Accrued Income	3,619,951	2,954,529	71.9
Prepaid Expense	2,191,805	1,274,822	2.7
Fixed Assets	32,743,167	24,786,247	32.1
Other Assets	24,302,846	24,261,459	0.2
Deposit in NCUSIF	11,230,205	11,046,817	1.7
<b>Total Assets</b>	<b>1,458,520,887</b>	<b>1,313,181,735</b>	<b>11.1</b>
<b>LIABILITIES &amp; EQUITY</b>			
Accounts Payable	2,044,911	2,345,217	-12.8
FHLB Loan	88,362,773	45,210,028	95.4
Accrued Expenses	4,063,154	3,462,653	17.3
Other Liabilities	4,324,161	4,926,427	-12.2
Shares	1,214,706,337	1,123,595,967	8.1
Regular Reserve	9,442,618	9,442,618	0.0
Undivided Earnings	135,587,770	124,200,960	9.2
Unrealized Gain (Loss) on SAFS	(10,836)	(2,134)	407.7
<b>Total Liabilities &amp; Equity</b>	<b>1,458,520,887</b>	<b>1,313,181,735</b>	<b>11.1</b>

# INCOME STATEMENT

	2018	2017	% Change
<b>INCOME</b>			
Interest on Loans	46,135,366	37,157,974	24.2
Income from Investments	2,037,580	1,323,575	53.9
Fees & Charges	7,216,250	6,665,411	8.3
Gain/Loss on Sale of Mortgages	84,336	0	NA
Other Income	11,898,806	9,453,224	25.9
<b>Total Operating Income</b>	<b>67,372,337</b>	<b>54,600,185</b>	<b>23.4</b>
<b>OPERATING EXPENSES</b>			
Compensation	16,604,991	14,295,638	16.2
Employee Benefits	5,137,139	4,153,372	23.7
Travel/Conference/Training	329,753	287,237	14.8
Association Dues	93,708	89,802	4.4
Office Occupancy	2,187,613	1,761,479	24.2
Depreciation	867,945	783,650	10.8
Office Operations	4,495,550	3,837,587	17.1
Depreciation	1,279,888	959,691	33.4
Education & Promotions	1,840,357	1,690,820	8.8
Loan Service Expense	2,970,872	2,604,379	14.1
Prof. and Outside Services	4,510,867	3,989,663	13.1
Data Processing	1,060,435	1,206,060	-12.1
Examination Fees	98,393	65,970	49.1
Cash (Over) and Short	(2,758)	2,416	-214.2
Annual Meeting Expense	7,144	5,404	32.2
Misc. Operating Expense	1,056,428	349,853	202.0
<b>Total Operating Expenses</b>	<b>42,538,324</b>	<b>36,083,019</b>	<b>17.9</b>
Non-Operating Gains/(Losses)	(154,946)	(23,597)	556.6
Provision for Loan Losses	(4,075,000)	(3,029,160)	34.5
Income Before Dividends	20,604,067	15,464,409	33.2
Less Dividends/Interest Expense Paid	(9,217,258)	(6,188,436)	48.9
<b>Net Income</b>	<b>11,386,810</b>	<b>9,275,973</b>	<b>22.8</b>

# 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*



**Kelly J. McGrath**  
*Senior Vice President/  
Chief Lending Officer*



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



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



**Deborah E. Auger**  
*Vice President  
Marketing*



**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*
- Raymond L. Bald, *Vice Chairman*
- Victor M. Collinino, *Treasurer*
- Theresa P. Palumbo, *Secretary*
- Terrance L. Beers
- Justin S. Gamester
- Regis M. Saucier

# VOLUNTEERS

- Scott J. Barden
- Troy A. Blanchard
- Karen D. Chasse
- William S. Kany
- Michael V. Palumbo

# ALM COMMITTEE

- Victor M. Collinino, *Chairman*
- Terrance L. Beers
- Michael V. Palumbo

# DELINQUENCY COMMITTEE

- Justin S. Gamester, *Chairman*
- Raymond L. Bald
- William S. Kany

# MARKETING COMMITTEE

- Karen D. Chasse, *Chairwoman*

# SUPERVISORY COMMITTEE

- Scott J. Barden, *Chairman*
- Troy A. Blanchard





# KINDNESS MATTERS



***Northeast***  
CREDIT UNION

—  
♥ your community