

**BUILDING ON  
OUR STRENGTHS**



# Chairman and President's Report

The digital world is evolving rapidly and the way people bank is changing along with it. As a community-based credit union, it's crucial to stay on top of innovative trends and the changing expectations of our growing member base.

Recognizing these rapid developments, 2017 became the year in which we built on our strengths while focusing on what we do best – serving members with passion and creating meaningful, long-lasting relationships in the communities we serve. That meant building a world-class team of associates to serve members, investing in new technology that provided more secure ways to bank, and adding new products and services that helped members save money and make life easier. It also meant putting our systems and resources in place to take advantage of opportunities to grow and become even better.

## Highest Income Ever in 2017

- **Our assets grew 2.49% to almost \$597 million**, an increase of \$14.5 million over 2016.
- **We achieved a Return on Asset (ROA) of 0.76%** with \$4,480,498 net income. Peer average is 0.66%.
- **We funded over \$131 million in loans.** Our loan portfolio increased by 9.85%, reaching \$370 million compared to \$337 million the previous year. Year over year, loans grew in every major category with the largest growth of 22.2% in auto loans. Peer average loan growth is 9.90%.
- Our delinquency of 0.97% at year-end with **charge-off ratio of 0.10% is indicative of tight underwriting standards.**
- **Our operating expense ratio increased slightly from 2.50% in 2016 to 2.54% in 2017**, showing continued careful management of expenses. Credit union industry average is 3.23%.
- **Non-interest income represented 22%** of total income. Credit union industry average is 29%.
- **Our membership grew by 2.57%**, compared to 3.08% in 2016. Peer average is 4.9%.
- Our net worth ratio finished the year at 10.58%, higher than 2016 at 10.07%. This marked the **26th consecutive year where the credit union held a ratio of 9.44% or higher.**
- **NCUA examiners gave us another excellent rating.**

Merrimack Valley Credit Union was ranked #93 in the Top 100 Credit Unions between \$500 Million to \$1 Billion based on the Return on Assets (ROA) by Credit Union Strategy. These overall results demonstrated that the credit union has operated safely and successfully in the best interest of our members.

## Investing in New Technology

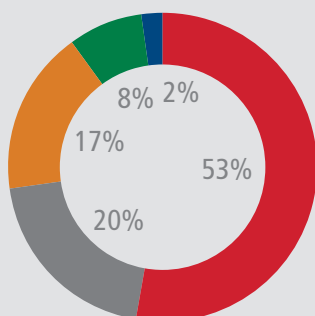
Safeguarding members' information is absolutely critical and something we spend many waking hours thinking about. According to the 2017 Identity Fraud Study, released by Javelin Strategy & Research, identity thieves have stolen over \$107 billion in the past six years. Fortunately, our robust security system has prevented any breach of members' data.

Awareness and education are important components of identity theft prevention. That's why we invested in Identity Theft booklets with comprehensive information in both English and Spanish. The booklets were distributed to members to help them identify ways that identity theft can happen and how to protect themselves.

In 2017, we took further steps to provide ways for members to bank safely and securely:

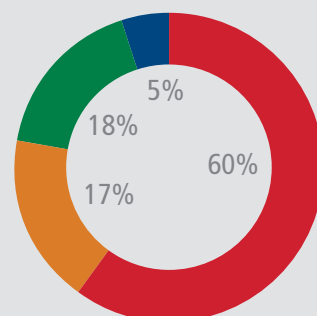
- **Enhanced Bill Pay Service.** In July, we converted our existing Bill Pay service to CheckFree, a more robust platform with enhanced security and functionality.

## Financial Results



### DEPOSIT ACCOUNTS

Shares	277,076,343
Certificates	105,023,568
IRA Certificates	39,478,783
Share Draft	88,534,455
IRA Shares	11,334,343



CheckFree provides more e-bills, the ability to schedule payments to be delivered to the biller on the same day and Popmoney, a person-to-person payment system.

- **Introduction of the EMV Card.** We rolled out Debit Cards with the EMV chip in February 2017, and completed a mass re-issuance of Debit Cards for existing members by October. The EMV chip contains technology with increased security capability, thus preventing criminal activities like skimming and card cloning.



- **Software Upgrades.** Software conversions started in 2017 in three key areas: Business Lending, Mortgage Lending and Consumer Lending. Once completed in 2018, the new Business Lending software will allow business loans to be approved faster and provide business loan servicing in-house, making it easier for businesses to get answers to their questions. The Mortgage Lending and Consumer Lending software changes will allow the credit union to be more agile and introduce new products and services quickly to meet members' needs, while offering a mobile-friendly online application.

## Adding New Products and Services

Members told us their needs and we listened. Common member requests included help to buy a car or house and for those with no credit or poor credit, help to establish or repair their credit so that they can borrow at a lower interest rate. In 2017, several programs were introduced to help members meet those goals and make life easier:

- **Deferred Payment for Auto Loans.** The 90 Days No Payment No Interest option introduced in 2016 turned out to be so popular we have decided to make it a permanent feature of our Auto Loan Program. Members told us how much they appreciated the ability to skip a payment for three months after buying a car while they recovered their savings.
- **Credit Builder Loan.** This program allowed members to establish or rebuild their credit by taking some baby steps toward repaying a small loan they can afford. After successfully repaying the loan, their credit score will improve.

It pays to have good credit. To that end, we run a Winter seminar on Money Management and a Fall seminar on Understanding Your Credit Score each year. And we provide free Credit Counseling through our partnership with GreenPath Financial Wellness.

- **HomeAdvantage Program.** This program provided members with a "one-stop shop" approach to buying a home. Members can search for their next home, connect with a seasoned realtor, and pursue financing within an online portal accessed through our website. When a HomeAdvantage member closes on their home, they receive a cash reward of 20% of the agent's commission which they can use toward their closing costs or other purposes. In 2017, we gave back nearly \$16,000 to members for choosing to use HomeAdvantage. Members can also use HomeAdvantage to sell their home.

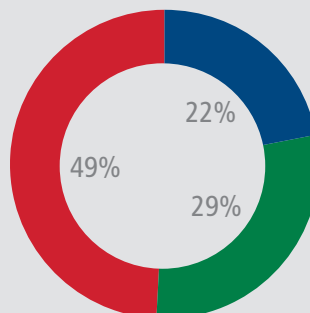


The HomeAdvantage program helped the Pena Family get their first home in Lawrence & earn cash rewards.

- **Home Heating Equipment Loan.** Through our partnership with Haffner's Oil & Propane, members could get affordable,

## OPERATING INCOME

Loans	13,523,590
Fees	3,914,958
Investments	4,075,536
Misc	1,063,310



## DIVIDENDS PAID

Shares	725,796
Certificates	1,261,943
IRA Certificates	567,404

unsecured personal loans to replace or fix their boilers, furnaces, water heaters and oil or water tanks.

## Giving Back to the Community

Throughout the year, our staff volunteered at non-profit organizations and organized events to raise funds for local charities, such as Credit Unions Kids@Heart, Emmaus Inc., and local food pantries. In addition to the money raised by employees and credit union events, an additional budget is allocated to support over 60 local non-profits to help meet much-needed services in the community. Since 2008, over \$1 million has been invested back to the community.

- **Scholarship Program.** The credit union set aside \$9,000 to award six scholarships to well-deserving high school seniors to further their education. Last year, one student each from six public high schools in Lawrence, N. Andover, Methuen, Haverhill, Plaistow, NH and Hampton, NH, received \$1,500.
- **Biggest Heart Campaign.** The Biggest Heart Campaign was launched in October as a way to recognize outstanding individuals in the community who go above and beyond to give back to their communities. The campaign allows individuals to nominate their friends, co-workers or family members in one of eight categories: coach, teacher, veteran, caregiver, first responder, home chef, community leader, and mentor of the arts. Nominations and voting can be easily completed online at [votebiggestheart.com](http://votebiggestheart.com). The winners, who will receive \$200 and a donation of \$500 to a charity of their choice, will be announced in April 2018.



taking over the role from Alex Oski who had very capably served for 6 years, and continues as 1st Vice Chairman. Two new Board Members were inducted: Kay DeBurro, a retired administrator at Merrimack College and Juan Bonilla, Deputy Director of Lawrence CommunityWorks, Inc. Art O'Dea, VP of Operations and Legal Affairs at Bio2 Technologies, Inc. joined as an Associate Board Member.

Merrimack Valley Credit Union could not exist without the dedicated support of our Board Members. Most of our long-serving Board Members have served for over 20 years. Sadly, Robert Zingali, our esteemed Board Member who retired in April 2017 after 36 years of service on the Board, passed away this past summer.

## On the Horizon

Great things are happening at Merrimack Valley Credit Union. Our financial performance and growth in assets continue to surpass previous years. More importantly, our members are very happy with our services as evidenced by 98% of members (who responded to an online survey) giving us a "very satisfied" or "satisfied" rating again this year.

We are very optimistic that the strategic efforts we made to build on our strengths in 2017 will position the credit union well for potential mergers, and to grow organically in 2018 and beyond.

Thank you to our loyal members, Board of Directors, management team, and staff for another successful year.

Respectfully,

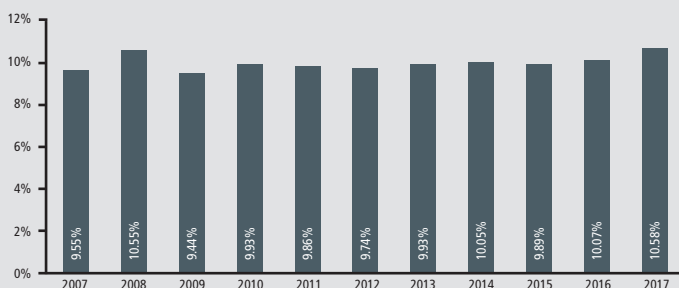
*Domenic A. Mazzocco*  
Dom Mazzocco, Chairman

*Peter J. Matthews, Jr.*  
Peter J. Matthews, Jr., President/CEO

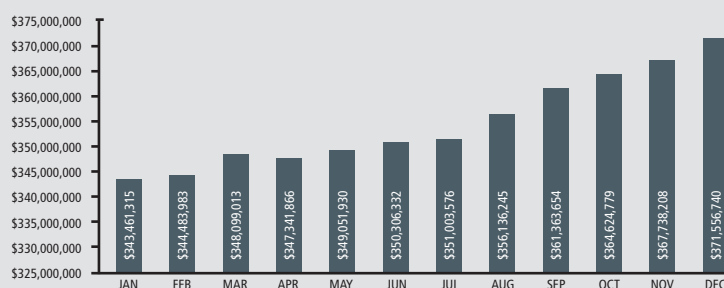
## New Board Leadership

2017 saw some changes at the Board level starting with Dom Mazzocco, a retired executive at Lucent Technologies, Inc., elected as Chairman of the Board at the Annual Meeting,

## NET WORTH RATIO



## TOTAL LOANS



	2016	2017
<b>ASSETS</b>		
Loans	\$ 338,254,479	\$ 371,556,740
Loan Loss Allowance	(1,847,963)	(1,879,383)
Notes Receivable	818,469	377,267
Net Loans	\$ 337,224,985	\$ 370,054,625
Cash & Receivables	\$ 6,176,055	\$ 5,513,385
Investments	222,182,273	204,404,779
Accrued Income	344,266	342,326
Prepaid & Deferred Expenses	772,705	757,636
Fixed Assets (Net)	7,988,957	7,715,998
Other Assets	2,878,403	3,110,517
Deposit in NCUSIF	4,808,021	5,002,545
<b>TOTAL ASSETS</b>	<b>\$ 582,375,666</b>	<b>\$ 596,901,811</b>

<b>LIABILITIES AND EQUITY</b>		
Accounts Payable	\$ 12,096,957	\$ 12,569,878
Dividends Payable	214	47
Accrued Expenses	2,109,215	2,184,885
Shares	511,301,453	521,447,492
Regular Reserve	9,357,881	9,357,881
Undivided Earnings	49,290,775	53,771,274
Equity Acquired from Merger	6,740	5,740
Unrealized Gain/Loss on Investments	(1,787,569)	(2,436,386)
<b>Total Liabilities and Equity</b>	<b>\$ 582,375,666</b>	<b>\$ 596,900,811</b>

	2016	2017
<b>OPERATING INCOME</b>		
Interest on Loans	\$ 12,078,553	\$ 13,523,590
Income from Investments	3,522,020	4,075,536
Fees and Charges	3,666,173	3,914,958
Misc. Operating Income	1,487,278	1,063,310
<b>Total Operating Income</b>	<b>20,754,024</b>	<b>22,577,394</b>
<b>OPERATING EXPENSES</b>		
Compensation	\$ 5,785,538	\$ 6,131,699
Employee Benefits	1,669,308	1,727,369
Travel & Conf Exp	156,150	138,319
Association Dues	74,043	84,912
Office Occupancy Exp	1,441,398	1,515,720
Office Operation Exp	3,507,449	3,702,885
Marketing Exp	500,000	502,070
Loan Servicing Exp	821,063	871,269
Prof. & Outside Services	240,858	188,226
Prov. for Loan Losses	232,367	364,692
NCUA Operating Fee	101,341	132,962
Cash Over and Short	3,539	11,621
Interest on Borrowings	185,917	157,153
Annual Meeting Expense	3,090	2,505
Misc. Operating Exp	15,203	10,351
<b>Total Operating Expense</b>	<b>14,737,263</b>	<b>15,541,751</b>
Income Before Dividends	6,016,761	7,035,643
Dividends Expense	2,418,244	2,555,144
<b>NET OPERATING INCOME</b>	<b>\$ 3,598,517</b>	<b>\$ 4,480,498</b>
Actual Write-offs:	\$ 230,717	\$ 420,155

## SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is tasked with maintaining oversight of the Credit Union's financial and operational activities. Its basic regulatory requirements are to obtain an annual opinion audit and perform a verification of members' accounts at least every two years. In addition, the Supervisory Committee oversees and coordinates the Internal Auditing activity within the Credit Union.

On an ongoing basis, various financial, lending and operational audits are conducted by Internal Audit to ensure the Credit Union is properly accounting for operations and is operating in compliance with internal policies and various Federal regulations. As the Board and Management continue to develop new policies and introduce new products, it is the Supervisory Committee's responsibility to ensure proper internal controls are established and the Credit Union's safety and soundness are not compromised.

Internal Audits conducted in 2017 evaluated the organization for satisfactory documentation of and conformance with internal Credit Union policies and procedures, National Credit Union Administration and other Federal regulations. These audits were performed across a wide range of operational activities which are critical to financial stability and protection of members' interests. Audits conducted and the associated corrective actions implemented by Management met these objectives.

The Supervisory Committee has engaged the CPA firm of Clifton Larson Allen, LLP for the December 31, 2017 annual opinion audit and verification of members accounts. Clifton Larson Allen has issued an unqualified opinion that the financial statements present fairly, in all material respects, the financial position of Merrimack Valley Federal Credit Union as of December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

### SUPERVISORY COMMITTEE

Peter A. Mills, Chairman  
Domenic P. Mazzocco  
Douglas R. Cokely

Rodney A. Dauteuil, CIA, CFSA, CUCE  
Assistant Vice President, Internal Audit

## Board of Directors

Dom Mazzocco, *Board Chairman*  
Alexander R. Oski, *1st Vice Chairman*  
Michael M. Sayler, *2nd Vice Chairman*  
Maureen Ronayne, *Secretary*  
Augustine S. Longo, Jr., *Treasurer*  
John J. McSweeney, Jr., *Asst. Treasurer*  
Ronald J. Guilmette, *Director*  
Mukesh Dave, *Director*  
Leon M. Pratt, *Director*  
Catherine M. DeBurro, *Director*  
Juan Bonilla, *Director*

### Associate Board Member

Art O'Dea, *Associate Director*

## Management

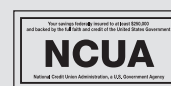
Tracy Mermet, *Assistant Vice President, Human Resources, Training & Compliance*  
Christine Ronca, *Assistant Vice President, Retail Operations*  
Brett W. Terry, *Assistant Vice President, Retail Lending*  
Jan White, *Assistant Vice President, Accounting*  
Rod Dauteuil, *Assistant Vice President, Internal Audit*  
Kim DuSombre, *North Andover Mall Branch Manager*  
Christine Doucette, *Seabrook Commons Branch Manager*  
Erin Antonino, *Central Plaza Branch Manager*  
Digna Jhonson, *Riverwalk Branch Manager*  
Lisa J. Lewis, *Collections Manager*  
Wendi Moreau, *Village Mall Branch Manager*  
Carrie Fitzgerald, *Ethan Allen Plaza Branch Manager*  
Lisa Carrozza, *Mortgage Lending Manager*  
Rhonda Doherty, *Call Center Manager*  
Bonnie Tardugno, *Consumer Lending Manager*  
Nancy Pierce, *Branch Operations Manager*  
Joanne Tercho, *Business Lending Manager*

## Senior Management

Peter J. Matthews, Jr., *President/CEO*  
Donald J. Croteau, *Vice President, Finance*  
Michael Farren, *Vice President, Lending*  
Yean-Ai Long, *Vice President, Marketing*  
Anthony Marino, *Vice President, Operations*  
Michael Pliskaner, *Vice President, Information Technology*  
Laura J. Wante, *Vice President, Human Resources & Compliance*



800.356.0067 [mvcu.com](http://mvcu.com)



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