



# Making Connections



2016 ANNUAL REPORT

	2015	2016
<b>ASSETS</b>		
Loans	\$ 303,983,501	\$ 338,254,479
Loan Loss Allowance	-1,813,885	-1,847,963
Notes Receivable	1,113,208	818,469
Net Loans	\$ 303,282,825	\$ 337,224,985
Cash & Receivables	\$ 4,891,320	\$ 6,176,055
Investments	232,654,023	222,182,273
Accrued Income	1,089,522	344,266
Prepaid & Deferred Expenses	678,999	772,705
Fixed Assets (Net)	7,698,129	7,988,957
Other Assets	2,087,328	2,878,403
Deposit in NCUSIF	4,496,678	4,808,021
Total Assets	\$ 556,878,822	\$ 582,375,666

<b>LIABILITIES AND EQUITY</b>		
Accounts Payable	\$ 11,765,881	\$ 12,096,957
Dividends Payable	682	214
Accrued Expenses	1,605,951	2,109,215
Shares	489,227,874	511,301,453
Regular Reserve	9,357,881	9,357,881
Undivided Earnings	45,692,258	49,290,775
Equity Acquired from Merger	6,740	6,740
Unrealized Gain/Loss on Investments	-778,445	-1,787,569
Total Liabilities and Equity	\$ 556,878,822	\$ 582,375,666

	2015	2016
<b>OPERATING INCOME</b>		
Interest on Loans	\$ 11,027,102	\$ 12,078,553
Income from Investments	3,245,125	3,522,020
Fees and Charges	3,418,999	3,666,173
Misc. Operating Income	1,424,282	1,487,278
Total Operating Income	19,115,507	20,754,024

<b>OPERATING EXPENSES</b>		
Compensation	\$ 5,353,932	\$ 5,785,538
Employee Benefits	1,570,206	1,669,308
Travel & Conf Exp	152,597	156,150
Association Dues	83,899	74,043
Office Occupancy Exp	1,466,483	1,441,398
Office Operation Exp	3,323,932	3,507,449
Marketing Exp	510,827	500,000
Loan Servicing Exp	662,703	821,063
Prof. & Outside Services	234,656	240,858
Prov. for Loan Losses	0	232,367
Members' Insurance	0	0
NCUA Operating Fee	94,382	101,341
Cash Over and Short	8,575	3,539
Interest on Borrowings	35,175	185,917
Annual Meeting Expense	2,539	3,090
Misc. Operating Exp	12,295	15,203
Total Operating Expense	13,512,201	14,737,263
Income Before Dividends	5,603,307	6,016,761
Dividends Expense	2,417,189	2,418,244
<b>NET OPERATING INCOME</b>	\$ 3,186,117	\$ 3,598,517
Actual Write-offs:	\$ 224,696	\$ 230,717

# 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 2016 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 that 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 CliftonLarsonAllen, LLP, for the December 31, 2016, annual opinion audit and verification of members accounts. CliftonLarsonAllen 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, 2016, in conformity with accounting principles generally accepted in the United States of America.

## SUPERVISORY COMMITTEE

Domenic P. Mazzocco, *Chairman*

Peter A. Mills

Douglas R. Cokely

Rodney A. Dauteuil, CIA, CFSA, CUCE  
*Director of Internal Audit*

# Chairman and President's Report

As a community-based credit union, Merrimack Valley Credit Union makes connections every day – with our members, our community, and each other. Our focus is on building these vital connections into long-lasting and meaningful relationships that benefit the communities we serve.

## Financially, 2016 was another great year!

Our financial reports indicate another healthy year, hitting all the high notes in terms of net worth, member growth, and asset and loan growth.

- Our assets grew 4.58% to \$582 million, an increase of \$25 million over 2015.
- We achieved a Return on Asset (ROA) of .63% with \$3,598,517 net income.
- We funded over \$140 million in loans, and our loan portfolio increased by 11%, reaching \$338 million compared to \$304 million the previous year. Year over year, loans grew in every major category.
- Our delinquency of .59% at year-end with charge-off ratio of .06% is indicative of several years of good underwriting standards.
- Our operating expense ratio edged down slightly from 2.51% in 2015 to 2.50% in 2016, indicating careful management of expenses.
- Our membership grew by 3.08%, compared to 1.69% in 2015.
- The net worth ratio finished the year at 10.07%. This marks the 25th consecutive year in which the credit union held a ratio of 9.44% or higher.
- NCUA examiners gave us another excellent rating.

Merrimack Valley Credit Union was ranked the 15<sup>th</sup> largest credit union in Massachusetts by asset size at the end of June 2016 (Boston Business Journal, Nov 4, 2016). These results show that we have experienced positive growth across the board. We are a financially secure financial institution that continues to operate in the best interest of our members.

## Our member satisfaction rate exceeded industry average.

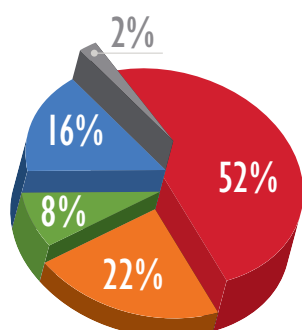
Our member satisfaction is very important. In May, we sent an online survey to members to measure their satisfaction rate and to solicit feedback on how we can further improve our services. We're pleased to report that:

- 99% of the survey respondents were either satisfied or extremely satisfied with the Credit Union, compared with 84% at other credit unions in the country. A large percentage of our members – 86% – were very satisfied.
- 9 out of 10 respondents would recommend us to their friends or family members.

We are proud of the commitment we make to ensure that we meet our members' financial needs by getting to know our members, by providing low- or no-cost services to meet their everyday banking needs, and by being there for our members through every stage of their financial lifecycle.

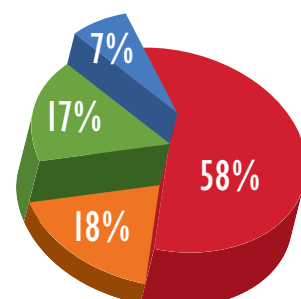
To encourage members to recommend their friends and family, we implemented a member referral program, where both the referring member and their referral can receive \$25. This program has brought in more than 200 members since its implementation in the spring.

## Financial Results



### DEPOSIT ACCOUNTS

Shares	\$263,243,586
Certificates	\$109,927,976
Share Draft	\$83,594,731
IRA Certificates	\$41,966,031
IRA Shares	\$12,569,129





## Long-awaited new branch opened in September.

On September 22, the Seabrook Commons branch in Seabrook, N.H., held its grand opening, bringing Merrimack Valley Credit Union to a new and exciting region of growth in New Hampshire. Opening this branch allows us to serve over 2,000 members already living in the Seacoast community, while expanding into the outer reaches of our field of membership.

This branch brings a new look and feel to everyday banking. The traditional teller window has been replaced with an open floor plan that allows members to freely interact with member service representatives, while still maintaining confidentiality and security. Interactive devices are located throughout the branch, allowing members to navigate their banking needs individually.

To create excitement during the grand opening, we gave away five \$1,000 cash prizes in weekly drawings to individuals visiting the new Seabrook branch. In addition, we offered a special 20-month CD at 2.00% APY, up to \$200 cash back for an auto loan, and a 2.00% fixed rate for the first 12 months for a Home Equity Line of Credit. Existing members living in the Seacoast community are thrilled to have a branch closer to them. And new members are discovering the well-regarded services that members already enjoy.

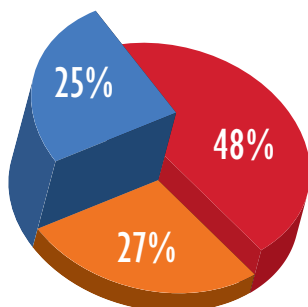
## New and improved technology better serves members.

Our members expect us to provide technology services on par with our competitors. To that end, we plan and invest resources to meet our members' needs, providing a variety of ways to meet their online and self-service banking needs. 2016 marked another year with significant technology updates for our members:

- **Re-launched website with modern design and mobile-friendly display.** The MVCU website received a facelift in early 2016, which allowed us to feature services, offers, and events that best serve our members. The easy navigation, quick access to Online Banking, and improved display have also enhanced user experience.
- **Updated mobile app with more intuitive interface, touch ID and Apple Pay setup.** The app allows busy members on the go, near and far, to deposit checks, pay bills, and transfer money without visiting a branch or ATM.
- **New and improved ATMs.** More advanced ATMs were installed at each branch and feature envelope-free cash and check deposits; check image processing; immediate cash availability; and quick and easy functionality.

### OPERATING INCOME

Loans	\$12,078,553
Fees	\$3,666,173
Investments	\$3,522,020
Miscellaneous	\$1,487,278



### DIVIDENDS PAID

Certificates	\$1,154,607
Shares	\$655,081
IRA Certificates	\$608,556

## We are investing in the community.

Serving our community remains at the heart of what our Credit Union does, and that includes giving to local area organizations that are dedicated to helping the most vulnerable. In 2016, we contributed in excess of \$115,000 to more than 50 organizations. Some of our notable contributions included:

- Our 11<sup>th</sup> year of sponsoring Emmaus Inc., representing our largest sponsorship of any individual non-profit.
- Credit Unions Kids@Heart, sponsoring two runners for the Boston Marathon. This is the 4<sup>th</sup> year that the Credit Union has sponsored Carrie Fitzgerald, Plaistow's branch manager and another runner.
- Scholarships for three college-bound high school students, with each student receiving a \$500 scholarship to use toward their college expenses in their freshman year. Plans are in place to expand the scholarship program in 2017.



Pictured left to right: Peter Matthews, Michaila Sheehan, Ryan Hamilton, and Emily Freeman

## Members always come first.

Our members are regular working individuals who work hard to take care of their families. Some do very well, while others need a little extra help from time to time. When we develop new programs, we are always guided by how we can help our members save or put a little money back into their pockets. We are excited to share some programs we started in 2016 that do just that:

- **HomeAdvantage® Program.** This program provides members with a “one-stop shop” approach to buying a home. Members can search for their next home, connect with a seasoned real estate agent, and pursue financing within an online portal accessed through our website. When HomeAdvantage® members close 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.
- **Credit Builder Loan Program.** Members tell us that they need help to save for a rainy day, to make a major purchase, and for their eventual retirement. For members needing an extra bit of help, this program will allow them to take incremental steps and start a saving program. Members can also use this program to repair their credit.

These programs are expected to be introduced in the first half of 2017.

At the core of our philosophy is “members helping members.” We continue to strive to be the best Credit Union for our members, and are inspired and motivated to implement improvements that will aid in our members achieving financial comfort.

Thank you to our loyal members, Board of Directors, management team, and staff for a successful 2016. Special thanks to Lee Pratt for twenty years of service on the Board of Directors.

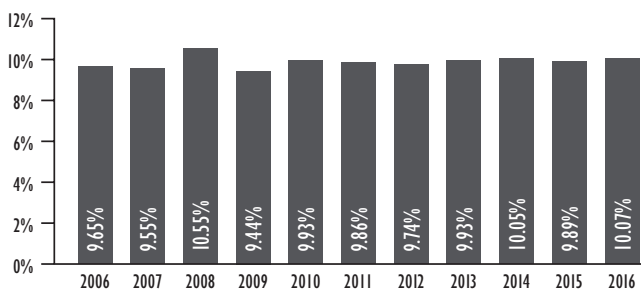
We look forward to making many new connections in 2017 and the years ahead.

Respectfully,

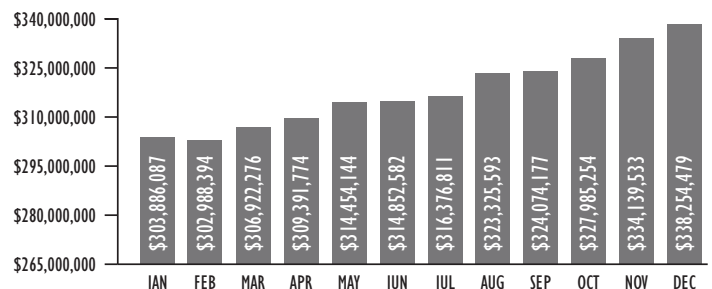
Alexander R. Oski  
Chairman

Peter J. Matthews, Jr.  
President/CEO

## NET WORTH RATIO



## TOTAL LOANS



### Board of Directors

Alexander R. Oski, *Chairman*  
Mukesh Dave, *1st Vice Chairman*  
Michael M. Saylor, *2nd Vice Chairman*  
Maureen Ronayne, *Secretary*  
Augustine S. Longo, Jr., *Treasurer*  
John J. McSweeney, Jr., *Assistant Treasurer*  
Luis M. Barros, *Director*  
Ronald J. Guilmette, *Director*  
Dom Mazzocco, *Director*  
Leon M. Pratt, Jr., *Director*  
B. Robert Zingali, *Director*  
Catherine M. DeBurro, *Associate Director*  
Juan Yepez, *Associate Director*

### Senior Management

Peter J. Matthews, Jr., *President/CEO*  
Donald Croteau, *Vice President of Finance and MIS*  
Michael Farren, *Vice President of Lending*  
Yean-Ai Long, *Vice President of Marketing*  
Anthony Marino, *Vice President of Operations*  
Laura J. Wante, *Vice President of Human Resources*

### Management

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



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

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