



LOCAL VALUES. UNEXPECTED ADVANTAGES.

ANNUAL REPORT $\frac{20}{12}$



This credit union is federally insured by the National Credit Union Administration.

LOCAL VALUES. UNEXPECTED ADVANTAGES.

vermontfederal.org 888-252-0202

Supporting Our Communities

Based on the founding principles of all credit unions, we enthusiastically give back to the communities we serve by way of donations, corporate sponsorships, volunteering and employee events.

A few of our 2012 events/sponsorships:

- American Cancer Society - Relay for Life
- Chittenden Emergency Food Shelf - Feed Your Neighbor Campaign
- Festival on the Green - Addison County
- Franklin County Home Health Agency - Blue Jean Ball
- Green Mountain Council, Boy Scouts of America
- Intervale Center - Summervale Concert Series
- King Street Center - Bob Aldrich Memorial Golf Tournament
- Local Motion - Bike Recycle Vermont
- United Way - Keyperson Training
- Vermont Foodbank - Vermont Restaurant Week
- Vermont Lake Monsters - Monster Student Athlete Program



Supervisory Committee Report

The audit for Vermont Federal Credit Union for the period ended March 31, 2012 was conducted by McGladrey & Pullen, LLP, external auditors.

The independent auditor's examination is authorized by the Board of Directors, in compliance with the National Credit Union Administration's Rules and Regulations, regarding the requirement for annual examination.

It is the opinion of the Supervisory Committee that the financial statements presented to you by the Credit Union's management fairly reflect, in all material respects, the financial position of the Credit Union as of December 31, 2011 and 2012. A formal audit is currently pending for our fiscal end of year of March 31, 2013.

C. Kirk Clarke, Chairman



Volunteers

Board of Directors and Committee Members for 2012

Board of Directors

Curran A. Robinson, Chairman
 Jeffrey E. McDonough, Vice Chairman
 Joseph M. Finnigan, Treasurer
 Jean M. Isham, Secretary
 Francis Broughton, Director
 Eric Davis, Director
 Douglas E. Fisher, Director

Supervisory Committee

C. Kirk Clarke, Chairman
 Paulette Bergeron
 Peter McIntyre
 Sherry Prehoda
 Louise Thabault

Financials

VERMONT FEDERAL CREDIT UNION
STATEMENT OF FINANCIAL CONDITION
AS OF DECEMBER 31, 2012 AND 2011
(Rounded to the nearest thousands)

| | 2012 | 2011 |
|--|-------------------|-------------------|
| | (Unaudited) | (Unaudited) |
| ASSETS | | |
| Cash and Cash Equivalents | \$ 11,698 | \$ 14,482 |
| Investments: | | |
| Available for Sale | 121,454 | 106,326 |
| Other | 4,614 | 4,445 |
| Loans Held for Sale | 2,389 | 1,555 |
| Loans to Members, Net Allowance for | | |
| Loan Losses | 209,586 | 194,898 |
| Property and Equipment | 6,885 | 6,588 |
| Other Assets | 7,859 | 7,491 |
| TOTAL ASSETS | \$ 364,485 | \$ 335,785 |
| LIABILITIES & MEMBERS' EQUITY | | |
| Members' Shares | \$ 314,788 | \$ 271,052 |
| Borrowed Funds | 12,500 | 29,500 |
| Accrued Expenses and Other Liabilities | 1,907 | 2,932 |
| TOTAL LIABILITIES | \$ 329,195 | \$ 303,484 |
| MEMBERS' EQUITY | | |
| Retained Earnings, | | |
| Substantially Restricted | \$ 35,290 | \$ 32,301 |
| TOTAL LIABILITIES AND MEMBERS' EQUITY | \$ 364,485 | \$ 335,785 |

VERMONT FEDERAL CREDIT UNION
INCOME STATEMENT
FOR YEARS ENDED DECEMBER 31, 2012 AND 2011
(Rounded to the nearest thousands)

| | 2012 | 2011 |
|--------------------------------------|------------------|------------------|
| | (Unaudited) | (Unaudited) |
| INCOME | | |
| Interest on Loans | \$ 11,314 | \$ 11,030 |
| Interest on Investments | 2,546 | 3,085 |
| Non-Interest Income | 8,474 | 5,889 |
| TOTAL INCOME | \$ 22,334 | \$ 20,004 |
| EXPENSE | | |
| Dividends on Members' Share Accounts | \$ 3,510 | \$ 3,460 |
| Interest on Borrowed Funds | 889 | 1,271 |
| Provision for Loan Losses | 705 | 778 |
| Compensation & Benefits | 6,632 | 5,654 |
| Office Operations | 3,411 | 2,712 |
| Occupancy | 798 | 656 |
| Other Expense | 2,309 | 1,647 |
| NCUSIF Stabilization Expense | 279 | 632 |
| TOTAL EXPENSE | \$ 18,533 | \$ 16,810 |
| NET INCOME | \$ 3,801 | \$ 3,194 |

President/CEO and Board of Directors Report

Although the U.S. economy continues to slowly improve, it still has a long way to go. This current economic climate is creating new opportunities and challenges for credit unions that are distinguishing themselves as the best choice for a financial institution. In that respect, Vermont Federal Credit Union continues to consistently exceed the financial results of its national peer credit unions by a significant margin. Our not-for-profit cooperative spirit is alive and well and is reflected in the following 2012 financial results which included many new historical records for the Credit Union:

Total assets in 2012 grew from approximately \$336 million to over \$364 million, an 8.5% increase which is almost 1.5 times the national average of our peer credit unions. Our share deposits grew at over a 16% increase which is almost 3 times the national average for our peer credit unions. Our membership, which now stands at over 35,000 very satisfied member/owners, grew by over 2,800 net new members, an 8.8% increase which is over 4 times the national average of our peer credit unions. With the historically low interest rate environment, the Credit Union also had its highest year on record in loan originations of over \$169 million which eclipsed 2010's previous record of almost \$136 million by over 24%. We are very pleased to continue to meet the credit needs of our members in helping them to achieve their goals and dreams.

The year ahead will bring a new branch facility to better serve our growing membership in Middlebury in the 3rd quarter of 2013. We will also be partnering with a new core processing vendor in order to maintain our market leadership and to continue to provide the "best of breed" products and services that our members have come to expect. Finally, we will continue to focus on enhancing our sales & service program in order to deliver a world-class member experience that fulfills our mission of "making a decided difference in the lives of our members."

In addition to these notable accomplishments, the strength of the Credit Union is also reflected in its staff, volunteers, and our members. Your President/CEO and Board of Directors remain committed to managing the Credit Union with integrity and fiscal responsibility while continuing to stress local values and the goal of exceeding your needs and expectations.

In addition, we provided direct financial support to the following organizations:

- Boys & Girls Club of Burlington
- Boys & Girls Club of Greater Vergennes
- Burlington Meals on Wheels
- Committee on Temporary Shelter
- Chittenden Emergency Food Shelf
- EANGUS - Enlisted Association of the National Guard of the United States
- Franklin County Senior Center
- Franklin County Industrial Development Corporation
- King Street Center
- Lund Family Center
- National Credit Union Foundation - Disaster Relief
- Northern Vermont Chapter of the American Red Cross
- Ronald McDonald House
- Sara Holbrook Community Center
- Vermont Center for Independent Living
- World Council of Credit Unions



Vermont Federal Credit Union Employees at Relay for Life, 2012.



Annual Feed Your Neighbor event with President/CEO, Bernie Isabelle, Community Development Coordinator, Kylie Webster and Bob Maritano, Food Drive Coordinator from the Chittenden Emergency Food Shelf.