



1610 Eglin Street • Hanscom AFB, MA 01731 • 800.656.4328 • www.hfcu.org

May, 2018

Dear Member Owner:

For sure the economy strengthened in 2017. Unemployment rates continued to decline and the stock market experienced record highs, with the Standard & Poor 500 increasing 17% during the year. At year-end, lawmakers passed a substantial tax reduction, which should stimulate economic growth even further. The potential downside is that high growth may trigger inflation, which would cause the Federal Reserve to intervene. In 2017 the Fed increased interest rates three times to mitigate inflationary pressures.

Hanscom Federal Credit Union was able to leverage the strong economic environment to benefit our members. Our total assets had good growth, ending 2017 at \$1.3 billion, which is an increase of 7.2% for the year. This is a testament to the trust and confidence that our Member-Owners have placed in us. We increased our total membership by approximately 16% to end 2017 with over 81,000 members. While these numbers are impressive, we remain committed to operating as a Member-Owned, volunteer-controlled financial institution that remains accountable to you. We always put members first by focusing on our mission: **“to provide superior financial service responsive to our members’ needs.”**

We continued our practice of offering above-market rates on savings and certificates and below-market rates on loans and fees. We are proud of the outstanding value that our products provide. As a result, we ended the year with a loan portfolio of \$1.1 billion, an increase of nearly 12% over 2016. At the same time, our overall member share and certificate balances increased by \$77 million, for a healthy growth rate of 7% for the year.

Our prudent underwriting practices and the improving economy resulted in loan losses of 0.17% of total loans, a rate that is substantially lower than the industry average. Our focus on controlling expenses while continuing to invest in improving member service helped us grow profitability during 2017, which resulted in return on assets of 0.90%. In recognition of our outstanding financial performance, your Board of Directors authorized a special year end loyalty dividend of 2% on shares and consumer loans of approximately \$850,000. This marks the 21st consecutive year we have paid a year-end loyalty dividend.

Our net worth to assets ratio of 10.34% is well above the 7% standard set by the National Credit Union Administration (NCUA) to be defined as well capitalized. Our balance sheet is strong and well positioned for any increases in interest rates that may occur in future years.

In 2017 we continued to enhance our products and services and devote ongoing resources to further train our staff of dedicated professionals who are committed to our founding principle of **People Helping People**. Specifically, we were proud to:

- Welcome the members of Touchstone FCU of Wilmington, Massachusetts into the Hanscom family when their credit union joined ours by merger.
- Open a state-of-the-art branch in Billerica, Massachusetts where members can interact with our highly trained staff, be informed on financial products and services, and be inspired to take control of their finances.

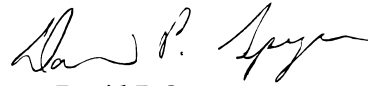
- Continue investing in technology to better serve you such as debit and credit card instant issue, adding Samsung Pay and Android Pay to our Digital Wallet, offering a new mobile mortgage application App and upgraded Online Access HD with refreshed design, new features and a simplified enrollment process.
- Begin construction of our new Operations Center in Littleton, Massachusetts, which will house key systems, lending and member service functions as well as a new branch office that will open in 2018.
- Receive first place recognition for both the Dora Maxwell Social Responsibility and the Louise Herring Philosophy in Action Awards from the Massachusetts Cooperative Credit Union Association as well as first place National recognition for the Louise Herring Philosophy in Action Award.
- Continue our commitment to community outreach by collecting 2,054 books for homeless children, sponsoring runners in the Boston Marathon raising \$48,016 to benefit Children's Hospital Boston, continuing to provide financial support for the Massachusetts Coalition for Homeless Families' Bed for Every Child Initiative and having our volunteers and staff prepare meals for veteran's families at Fisher House Boston and assist the Burlington Food Pantry.

On behalf of the Board of Directors, the management team and the entire staff of Hanscom Federal Credit Union, thank you for your continued membership and support. We are very appreciative that you are part of the Hanscom Federal Credit Union family and are very grateful for your continued loyalty. Rest assured that you can count on us to always serve our **Member-Owners'** best interests.

We look forward to the future with much enthusiasm in meeting all of your financial needs while remaining strong and vibrant in exceeding your expectations every day as we have for the past 65 years.



Paul J. Marotta
Chairman of the Board



David P. Sprague
President and CEO



1610 Eglin Street • Hanscom AFB, MA 01731 • 800.656.4328 • www.hfcu.org

Report of the Supervisory Committee

The Hanscom Federal Credit Union Board of Directors appointed Brian Bethune, Michael McLane, Hugh McNeil, Matt Mleziva and Daniel Towers to the Supervisory Committee in 2017. The committee elected Matt Mleziva as the Chairman of the Committee.

The Supervisory Committee's two general goals are to ensure that management's financial reporting objectives have been met, and that practices and procedures are in place which safeguard and protect the interests of the members in the assets of the Hanscom Federal Credit Union. The independent accounting firm of GT Reilly & Company CPAs and Advisors (hereinafter "GT Reilly") was retained by the Supervisory Committee to perform an audit as prescribed by the Credit Union's governing agency. The Supervisory Committee contracted with Macpage to perform internal audits during 2017. These firms were selected because they provided the best value to perform audits for Hanscom Federal Credit Union.

The Supervisory Committee met regularly with management and supported the positive actions taken to implement the Board of Directors' plans for the Credit Union and to maintain high quality service to its membership. The committee also met with the Board on a regular basis and held its own separate meetings with GT Reilly and Macpage throughout the year to fulfill its fiduciary responsibilities. The Supervisory Committee examined the results and findings of the annual examination of the National Credit Union Administration (NCUA). A detailed plan of work for 2017–2018 was established at the initial committee meeting. The annual review cycle starts with a Risk Assessment which assigns relative weightings for all substantive areas of risk. With input from management and Supervisory Committee, this becomes the outline for the annual work plan.

The audits performed and the periodic reviews accomplished support our opinion that Hanscom Federal Credit Union is being managed, operated, and guided in a financially safe and sound manner. The Supervisory Committee, with the support of its auditors and management, will continue its oversight efforts to ensure that the Hanscom Federal Credit Union members' financial assets are safe and secure in the future.

A handwritten signature in black ink, appearing to read "Matt Mleziva", written in a cursive style.

Matt Mleziva
Supervisory Committee Chairman

Hanscom Federal Credit Union

Consolidated Statements of Financial Condition

	December 31	
	2017	2016
Assets		
Cash and Cash Equivalents	\$ 6,855,417.45	6,067,944.12
Investments	85,683,544.04	135,178,184.56
Loans		
Credit Card Loans	43,065,938.51	37,701,022.71
Other Unsecured Loans	82,279,568.84	80,342,750.46
New Car Loans	87,404,558.43	70,651,704.25
Used Car Loans	251,651,142.30	195,336,356.50
Business Loans	32,973,649.87	22,865,621.67
First Mortgage Loans	197,247,763.39	198,491,651.38
Other Real Estate Loans	428,080,457.42	395,736,394.45
Other Secured Loans	11,019,941.03	10,703,757.82
Total Loans	<u>1,133,723,019.79</u>	<u>1,011,829,259.24</u>
Less: Allowance for Loan Losses	(6,797,856.76)	(6,546,722.97)
Other Assets		
Land and Building	13,535,195.56	4,889,513.37
Other Fixed Assets	5,326,681.08	3,556,476.56
NCUA Insurance Capitalization Deposit	10,461,861.12	9,618,790.30
Loan Collateral in Liquidation	44,245.00	241,532.14
Other Assets	23,035,951.98	21,320,174.17
Total Assets	<u><u>\$ 1,271,868,059.26</u></u>	<u><u>\$ 1,186,155,151.49</u></u>
Liabilities & Equity		
Shares & Deposits		
Checking Accounts	\$ 156,626,358.74	\$ 144,053,368.16
Regular Shares	248,957,656.45	226,239,862.80
Higher-Yield Savings Account	367,269,683.19	337,241,253.79
Business Checking	6,834,098.40	6,034,104.00
Business Investment	2,889,959.58	2,084,228.50
IRA Shares	652,026.74	602,668.37
IRA Money Market	8,527,807.10	9,100,288.09
Money Market	69,573,238.21	65,341,468.77
Escrow Shares	796,895.65	722,226.39
Share Certificates	199,489,164.31	190,346,201.59
IRA Certificates	60,633,728.36	63,435,949.27
Total Shares	<u>1,122,250,616.73</u>	<u>1,045,201,619.73</u>
Liabilities		
Accounts Payable	16,362,984.67	17,152,590.46
Notes & Interest Payable	1,745,923.62	4,144,963.43
Dividends Payable	0.00	0.00
Total Accounts Payable	<u>18,108,908.29</u>	<u>21,297,553.89</u>
Equity		
Regular Reserves	10,168,683.04	10,168,683.04
Unrealized G/L on AFS Investments	(62,270.55)	(17,378.81)
Equity Acquired in Merger	1,644,524.27	939,857.41
Undivided Earnings	119,757,597.48	108,564,816.23
Total Liabilities & Equity	<u><u>\$ 1,271,868,059.26</u></u>	<u><u>\$ 1,186,155,151.49</u></u>

