

ANNUAL REPORT

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CHECKING

IN



PRESIDENT'S REPORT



Glenn S. Welch



Lawrence F. Bouley

“Checking In,” the chosen theme of our 2017 Annual Report, truly captures the report’s purpose and the very spirit of our organization today. With a playful nod, this two-word phrase represents the invaluable opportunity to share important highlights from last year as well as strategically outlined goals for the current one—a comprehensive **“check-in,”** if you will, with every Freedom Credit Union member and employee.

Furthermore, Freedom’s 2017 overall performance is evidence that our team is more than **“checked in”**; our employees are present and actively committed to our ongoing mission of growth and success. Freedom not only had a record year from a financial perspective but saw achievements in nearly all operational aspects.

Our year-end Treasurer’s Report highlights a significant increase in ROA, reduction in Operating Expense/Gross Income and an increase in Total Loans/Total Shares in 2017, among other wins. Our Human Resources department developed and trained all employees in our unique Behavioral-Based Competency Model, in preparing to fully incorporate a Pay for Performance system in 2018. We made historic strides with well-received promotions around Freedom’s 95th anniversary (you may even have recognized an employee or two in one of our commercials).

Hearing your call for greater convenience and enhanced services, Freedom joined the Allpoint® Network, which allows members to enjoy surcharge-free ATM use at more than 55,000 locations worldwide. Additionally, we introduced merchant remote deposit capture, instant debit card issuance and POP (Pay Other People) Money.

Several major initiatives will mark 2018; for many, the stage is set, while others are already well underway. Lending has been busy implementing new systems for greater ease and accessibility of mortgage and consumer loans. Our Operations/IT specialists are hard at work on Apple Pay and enhanced mobile card controls. This year, we’ve also opened our Credit Union Partner (CUP) benefits to all eligible members in western Massachusetts. Across the board, every team will continue to do their part to keep Freedom growing and going strong.

On behalf of your President and Board Chairman, we hope you, our valued members and employees, will benefit as much as we have from this publication. Although this communication is presented once a year, know that we always welcome your ideas, suggestions, questions and feedback, 24/7, on how we might enhance the Freedom experience for all. In short: Feel free to **“check in”** anytime.

A handwritten signature in black ink that reads "Glenn S. Welch".

Glenn S. Welch
President and CEO

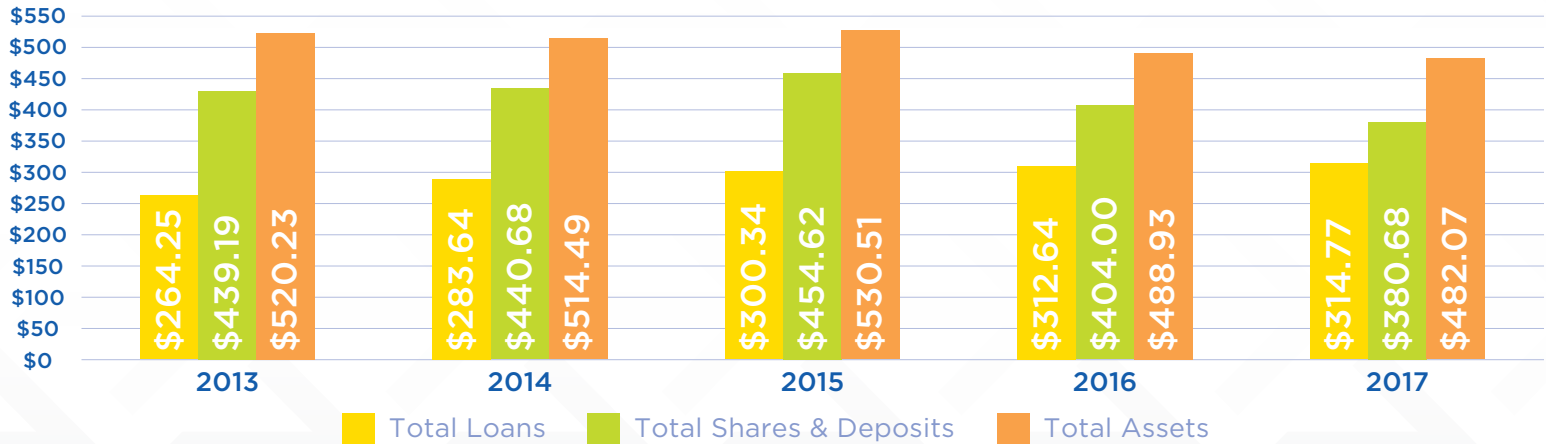
A handwritten signature in black ink that reads "Lawrence F. Bouley".

Lawrence F. Bouley
Chairman, Board of Directors

HIGHLIGHTS FROM 2017

Freedom's Financial Performance

In Millions



Finances

- ▶ Net income of nearly \$3.9 million, a 62% increase over 2016 (\$2.4 million)
- ▶ Significant increase in return on assets, and in total loans/total shares
- ▶ Improvement in net interest margin/average assets
- ▶ Reduction in operating expense/gross income and in delinquencies/charge-offs
- ▶ Diversification of, and expansion into, new investment types

Operations/IT

- ▶ Upgraded Bill Pay system and implemented Business Bill Pay
- ▶ Set up POP (Pay Other People) Money
- ▶ Installed Card@Once instant issuance debit cards at nine branches
- ▶ Rolled out EMV chip cards
- ▶ Joined Allpoint® Network, allowing for surcharge-free member access to over 55,000 domestic and international ATMs
- ▶ Installed Wi-Fi in the branches
- ▶ Implemented merchant remote deposit capture (RDC)

Lending

- ▶ Now originating 100% loan-to-value (LTV) Home Equity loans
- ▶ Implemented mobile applications for mortgage prequalifications and loans
- ▶ Initiated EZ Close for Home Equity loans (credit union closes loans without any attorney)
- ▶ Underwriting construction lending began in the Member Business Loan department

Community Donations

Throughout 2017, Freedom contributed over \$121,000 to community events and nonprofit organizations supporting education, health care, affordable housing, advocacy services, youth programs, cultural arts and other key areas. (This does not include employee time spent volunteering at various non-profit/charitable organizations.)

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

<u>Assets</u>	2017	2016
	(In thousands)	
Cash and cash equivalents	\$ 2,662	\$ 2,438
Interest bearing deposits	2,734	2,480
Securities available for sale, at fair value	107,955	119,330
Securities held to maturity, at amortized cost	13,506	15,517
Loans, net of allowance for loan losses of \$2,190 in 2017 and \$2,303 in 2016	313,008	310,335
Property and equipment, net	6,030	6,329
Property held for sale	295	375
Accrued interest and fees receivable	1,114	1,081
Federal Home Loan Bank stock, at cost	2,443	1,890
National Credit Union Share Insurance Fund deposit	3,694	4,023
Credit Union owned life insurance	13,681	13,319
Officer loan receivable	7,641	7,352
Other assets	<u>7,314</u>	<u>4,464</u>
Total assets	\$ <u>482,077</u>	\$ <u>488,933</u>
<u>Liabilities and Members' Equity</u>		
Liabilities:		
Member share accounts	\$ 380,688	\$ 403,993
Borrowings	23,818	10,689
Accrued expenses and other liabilities	<u>1,937</u>	<u>2,991</u>
Total liabilities	<u>406,443</u>	<u>417,673</u>
Members' Equity:		
Regular reserves	8,264	8,264
Members' equity	67,964	64,065
Accumulated other comprehensive income	<u>(594)</u>	<u>(1,069)</u>
Total members' equity	<u>75,634</u>	<u>71,260</u>
Total liabilities and members' equity	\$ <u>482,077</u>	\$ <u>488,933</u>

CONSOLIDATED STATEMENTS OF INCOME

2017 2016

(In thousands)

Interest income:

Loans	\$ 13,813	\$ 13,493
Investments	<u>3,101</u>	<u>2,488</u>
Total interest income	<u>16,914</u>	<u>15,981</u>

Interest expense:

Members' shares	1,582	2,363
Borrowings	<u>572</u>	<u>38</u>
Total interest expense	<u>2,154</u>	<u>2,401</u>

Net interest income	14,760	13,580
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Provision for loan losses	<u>40</u>	<u>350</u>
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Net interest income, after provision for loan losses	<u>14,720</u>	<u>13,230</u>
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Non-interest income:

Member service fees	2,350	2,072
Gain on sale of securities available for sale	64	195
Loss on fixed assets	(74)	(8)
Mortgage banking income	452	618
Increase in cash surrender value of life insurance	362	429
Other	<u>1,639</u>	<u>1,494</u>
Total non-interest income	<u>\$ 4,793</u>	<u>\$ 4,800</u>

Non-interest expenses:

Salaries and employee benefits	8,664	8,851
Occupancy and equipment	5,136	5,007
Education and promotion	575	577
Loan service expense	339	367
Professional and outside services	491	368
Travel and conferences	254	250
Other general and administrative	<u>155</u>	<u>239</u>
Total non-interest expenses	<u>15,614</u>	<u>15,659</u>

Net income	<u>\$ 3,899</u>	<u>\$ 2,371</u>
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AWARD WINNING EMPLOYEES



Glenn Welch with award winner, David Chase

Just ahead of Thanksgiving, we at Freedom Credit Union look forward to November's other celebratory feast: the Annual Holiday Dinner! At the 2017 event on November 18, President and CEO, Glenn Welch, presented the esteemed President's Award to David Chase, VP of Commercial Lending. The President's Award recognizes an employee who is committed to professional excellence, takes pride in the credit union and in him- or herself, is a strong team player and communicator, motivates others and represents the credit union with an overall sense of integrity. Here is a portion of David's nomination: *"When I read the description for the 2017 President's Award, I immediately think of David. I believe he emulates professionalism not only in his appearance but through his*

amazing leadership style and form. David is on the recognition committee that I, too, attend, and there is not a meeting that goes by where he does not provide input and ask all of us to 'think outside the box.' David wants Freedom Credit Union to be the best we can be. He has reinvented his department to what it is today and is continuing to grow this sector of our business."

In 2017, Freedom Credit Union implemented the GEM (Going the Extra Mile) Recognition Program. The following employees received Certificates of GEM Acknowledgment for their out-of-the-ordinary acts of kindness, bright ideas and/or great suggestions. Congratulations to all—and let's keep identifying those GEMs among us!

September 2017 GEM recipients, Main Office Staff

Lucy Rau, Rae Brown, Michelle Martinez, Juana Delgado, Melin Menas, Carla Hocht, Anastasia Medina, Jamie Convery, Linette Arroyo, Natasha Marcano



October 2017 GEM recipient

Natasha Cassidy, Marketing and Retail Specialist



BOARD OF DIRECTORS



Lawrence F. Bouley, Chairman
Chair, Investment Committee



Donald C. Emerson, Vice Chairman
Chair, ALCO Committee



Louis G. Guillette,
Treasurer

William T. Carey, Clerk
Chair, Auditing Committee

John R. Reigner,
Security Officer
Past Chairman | 2009-2012



Richard T. Grover
Past Chairman | 2002-2004

Brian D. Harrington
*Chair, Regulatory/
Compliance Committee*

William G. O'Brien
*Past Chairman | 2006-2009
Chair, Site Merger Committee*



F. Rory Santaniello
*Chair, Credit Committee
Chair, Training Committee*

Donald R. Senecal
Chair, Personnel Committee

Charles J. Simonich
Past Chairman | 2012-2015



Branch Locations

Hampden County

Chicopee

1976 Memorial Drive
(413) 532-5085

Ludlow

645 Center Street
(413) 505-5800

Downtown Springfield

1976 Main Street
(413) 739-6961

Putnam Academy (Springfield)

1300 State Street
(413) 505-5850

Feeding Hills

959 Springfield Street
(413) 786-6200

Sixteen Acres (Springfield)

296 Cooley Street
(413) 505-5700

Hampshire County

Easthampton

422B Main Street
(413) 527-7702

Northampton

226 King Street
(413) 586-3590

Franklin County

Greenfield

74 Main Street
(413) 774-4182

Turners Falls

191 Avenue A
(413) 774-9909

*Branch hours vary by location. Please visit our website for details.

Member Contact Center

(413) 739-6961 (800) 821-0160

Hours

Monday, Tuesday, Wednesday 8:00 AM–4:30 PM

Thursday, Friday 8:00 AM–6:00 PM

Saturday 8:30 AM–1:00 PM



freedom.coop

Photo Credits Throughout the Report: Edward Cohen



Freedom Credit Union is federally insured by the National Credit Union Administration (NCUA). Shares and deposits in excess of NCUA limits are fully insured in full by the Massachusetts Credit Union Share Insurance Corporation (MSIC). Equal housing lender.