

April 16, 2019

The Annual Meeting of the Membership of the Leominster Credit Union was held on this date at 18 Adams Street, Leominster, MA.

The Chairman of the Board of Directors, Michael Sauvageau, presided. The Chairman opened the meeting at 5:07 p.m.

The Chairman led the members in the Pledge of Allegiance. A moment of silent prayer followed for all deceased members, founders, former directors and employees.

The Clerk, Giulio Greco, reported that there were 25 members present at the meeting. A quorum was therefore present.

The Chairman introduced the Board of Directors of Leominster Credit Union. Honorary Directors, Founders and the Advisory Committee of Leominster Credit Union were also introduced.

President and CEO, John O'Brien, introduced the credit union's senior management team. Mr. O'Brien noted that the 2018 Annual Report was available for those in attendance.

The Chair requested that the Clerk present the minutes of the 2018 Annual Meeting. A motion was made and seconded to waive the reading of the minutes of the last annual meeting, and it was

Voted: To waive the reading of the minutes of the April 17, 2018 Annual Meeting and approve the minutes as presented.

In Henry Kulik's absence, Director Richard Sheppard presented the Audit Committee's report as follows:

The Audit Committee of Leominster Credit Union met on a monthly basis during 2018. The Committee is charged with ensuring that a sound system of internal controls is maintained at the credit union. The Audit Committee is also responsible for ensuring that an independent audit and a verification of member accounts are completed on an annual basis.

In accordance with its statutory responsibilities, the Audit Committee reviews the financial results of the credit union with management and reviews the credit union's cash and due from bank account reconciliations. The Audit Committee consists of Joyce Leger, Henry Kulik, Joyce LaFleur, Nancy Dube, and, Richard Sheppard..

The independent accounting firm of RSM US LLP was retained by Leominster Credit Union to complete an audit of the credit union's financial statements as of September 30, 2018, and for the fiscal year then ended. Upon completion of their audit, RSM rendered an unqualified clean opinion on the financial statements of the credit union. Additionally, the credit union's internal controls were concluded to be strong by the external auditor, with no control deficiencies reported, which gives further evidence as to the quality of its operations

LCU signed a three-year agreement with the independent audit firm, Macpage, LLC in order to outsource its auditing program beginning January 1, 2018. Macpage continues to work with the Audit Committee to maintain the strength of its internal audit program, the quality of internal controls and to provide an assessment of risks throughout the credit union in the financial, information technology, and compliance areas.

The Compliance function is capably administered by Nicole Legere while Gary Abrams is the administrator of the Audit function.

In late 2018, the Massachusetts Division of Banks and the National Credit Union Administration performed a normally scheduled "Safety and Soundness Examination" of the credit union as of September 30, 2018, and the credit union fared well.

The independent Auditing/Compliance firm of Healy & Healy has again been retained to provide mortgage quality control review services for the credit union and this includes the performance of independent real estate reappraisals.

I am happy to report that the credit union's internal control structure and financial reporting systems remain strong. The Audit Committee is committed to continuing to exercise its oversight responsibilities in 2019.

Upon motion duly made, and seconded, it was

Voted: To accept the Audit Committee's report as read.

Bruce Bollivar presented the Credit Committee Report as follows:

The Credit Committee serves the Board of Directors and the membership through its oversight of all lending activities. The Committee works with management in the development of lending products that help its members obtain credit at affordable prices and reasonable terms. The Committee also oversees lending and collection policies that guide its loan programs and procedures. Members of the Credit Committee, in addition to me, include Amedeo Bilotta, Nancy Graves, Giulio Greco and Joseph Quintal.

2018 was a good year in lending. Leominster Credit Union continued to service the lending needs of its members while attracting new members. The credit union generated total loan volume of \$169 million, which surpassed 2017 volume of \$149 million. Leominster Credit Union had a great year in Home Equity Lines of Credit, booking \$30 million in 2018 compared to \$31 million in 2017. The lending portfolio grew \$39.5 million, from \$487 million in 2017 to \$527 million at year-end 2018; an increase of 8%. The increase was primarily driven by growth in Home Equity Lines of Credit and the purchase of, short term higher yielding consumer loans and indirect auto loans.

Leominster Credit Unions continues to have a high performing loan portfolio. It received a strong rating from the state banking department on its Compliance exam this year. The credit union's overall delinquency is excellent, at 1.50% and its 60 day delinquencies are at .58%.

While Management is pleased with these results, they understand they must continue to improve its products and processes to ensure they are meeting the lending needs of its current and future members. To do this, they are always working towards keeping up with the ever changing compliance and technology updates.

Leominster Credit Union has held successful First Time Home Buyer seminars, with over 75 attendees in the numerous sessions they offered. These educational seminars not only helped its members become more knowledgeable on the financing aspects of purchasing a home; but they also have realtors and attorneys speaking, in order to help educate the attendees on what to be aware of and what to expect during various stages of purchasing their first home.

In order to expedite the loan process for its members' perspective, from application to funding, for Mortgages, Equity Lines and Equity Loans, the credit union improved on its workflows by offering conditional loan approvals. Doing this has significantly reduced the time it takes to close these loans, which in turn, helps the credit union improve its service to its members.

As always, in 2019 Leominster Credit Union will strive to continue to find new and innovative ways to serve the lending needs of its members. The necessity to evolve is important as its members' needs are always changing. Leominster Credit Union has been in a rising rate environment the past two years; but this year, Management expects rates to stabilize, as this may inspire more confidence to its members as they seek financing to satisfy their families financial requirements.

However, Management does feel that if they continue to provide quality products and services with timely turnaround time, they will be able to continuously meet its members' needs and grow its lending portfolio.

Upon motion duly made, and seconded, it was

Voted: To accept the Credit Committee's report as read.

Treasurer Nancy Graves presented the Treasurer's Report as follows:

In 2018, Leominster Credit Union (LCU) experienced solid operating results due to strong loan and investment interest income compared to 2017 which supported the improvement in its overall net interest income by more than \$1.1 million year over year.

The credit union's total assets grew by \$29.6 million to \$706.5 million at December 31, 2018 up from \$676.9 million at December 31, 2017 due primarily to the continuing strategy to emphasize its member lending programs while reducing the concentration within its investment securities portfolio.

As a result of its emphasis toward its member lending programs, Loans outstanding increased by \$39.5 million during 2018 and totaled \$527.2 million at December 31, 2018. Across the board every aspect of LCU' loan portfolio increased during the year. That included a \$24.2 million increase in consumer installment loans, a \$3.6 million increase in first mortgages, a \$5.3 million increase in Home Equity Lines of Credit and a \$5.0 million increase in Member Business Loans.

Member deposits had its best growth in years and increased by 4% or \$18.1 million during the year to \$466.9 million at December 31, 2018 compared to \$448.8 million at the end of December 2017. Leominster Credit Union was very successful in enhancing member relationships in 2018 evidenced by the continuation of growth in its core savings deposits which increased by more than \$2.6 million during the year coupled with significant growth in Money Market Deposit Accounts of almost \$12 million. Term Certificates of Deposit also increased by \$5.8 million during 2018.

The significant increase in overall lending despite the strong growth in outstanding deposits during the year continued the need to use alternative funding, such as borrowings from the Federal Home Loan Bank of Boston. As a result, borrowings at the Federal Home Loan Bank of Boston increased by approximately \$12.2 million from \$159.3 million at December 31, 2017 to approximately \$171.5 million at December 31, 2018.

The credit union's Net Worth increased by \$2.7 million during 2018. LCU ended 2018 with total Net Worth of \$60.2 million pushing the Net Worth Ratio to 8.52% which increased from 8.49% at the previous year-end. Capital levels remain strong as LCU is categorized by the various regulatory agencies as a "Well Capitalized" credit union, the highest rated tier within regulatory capital adequacy categories.

The Federal Reserve continued to methodically increase short-term interest rates during 2018 which limited the spread between short- and long-term interest rates putting pressure on interest margins. Despite the continuation of a flattening US Treasury yield curve that limits net interest income opportunities, Leominster Credit Union was able to improve its overall net-interest income compared to the previous twelve months.

Net income for the year ended December 31, 2018, totaled \$2.7 million compared to \$1.6 million for the same period in 2017. The \$2.7 million of earnings in 2018 represents an annual return on average assets of 0.39% compared to 0.24% in the prior year.

Leominster Credit Union's net-interest income before provision for loan losses for the twelve months ended December 31, 2018 totaled \$17.1 million, an increase of \$1.1 million compared to the same period in the prior year. The improvement within net-interest income was primarily due to a significant increase in interest income on loans partially mitigated by an increase in borrowings and deposit interest expense.

The credit union's net charge-off ratio on loans was consistent with its peer group in 2018 despite digging deeper and making credit available to more borrowers during the year. As a result, the provision for loan loss did increase by \$219,000 to \$808,000. The increased level of provision for loan loss is significantly mitigated by consistent quality underwriting and strong collection efforts which corresponds to a comparable peer group level of charged-off loans.

During 2018, Non-Interest Income increased by \$1.0 million due primarily to a two one time payments. Overall, non-interest income levels were slightly above the previous year level when excluding the two one-time benefits above.

Non-Interest Expenses increased by \$756,000 to \$19.3 million during 2018 and equated to 2.77% of average assets, which was an improvement compared to the 2.82% recorded in 2017 and is considered comparable to LCU's peer group. The major reasons for the increase to its operating expenses during 2018 include increased salary and benefits expense coupled with higher Information Technology expenses associated with the continuation of its Mobile and On-line banking commitment to improve the services to its members and make each transaction as easy as possible.

The ongoing economic environment, which includes the less than advantageous shape of the interest rate yield curve, continues to create significant challenges for the financial services industry. Leominster Credit Union's commitment to solid underwriting and prudent lending policies and procedures has helped mitigate loan delinquency, foreclosure and repossession activity. The credit union's strong capital position, core earnings and the quality of its balance sheet leaves Leominster Credit Union well positioned for 2019 and well into the future.

Upon motion duly made, and seconded, it was

Voted: To accept the Treasurer's report as read.

John O'Brien presented the President's Report as follows:

Mr. O'Brien thanked the Chairman and welcomed everyone. He also thanked everyone for taking the time to be there.

He stated that it is significant to note that on May 4th Leominster Credit Union celebrates its 65th anniversary. From the humble beginnings of working out of the back room of a printing press, to a thriving \$700 million in assets credit union, is quite a success story. He wanted to thank the Founders, all the people that have served on its Board over the years, and all its employees, current and former, for building this institution. Mr. O'Brien noted that Leominster Credit Union would not be here today if it weren't for the hard work and dedication of the people. Leominster Credit Union owes all of them a debt of gratitude

It is also important to note that its mission hasn't changed over these 65 years. Leominster Credit Union is there to help people. That's something to look forward to every day. They have a responsibility to never lose sight of that mission. It is what has made Leominster Credit Union successful

John O'Brien was very happy to tell everyone that Leominster Credit Union has fulfilled that mission in 2018. Total assets grew \$29.6 million and now total \$706 million. Loans grew \$39.5 million and now total \$527 million. Net worth increased \$2.7 million, and ended the year with a net worth of \$60.2 million.

Leominster Credit Union certainly fulfilled its member's financial needs. The credit union had a total loan volume of \$169 million and offered very competitive rates for its members. In fact, a recent analysis completed by Credit Union National Association, found that Leominster Credit Union saved its members a total of \$10.6 million last year compared to the costs of a typical banking institution. That equates to \$416 per member.

While he was very proud of those results, he was more proud of the way Leominster Credit Union's employees looked at a way to say yes to its members as much as possible, and work with them to solve their financial needs. They not only work with its members when they are going through good times; they pride themselves on working with members who are experiencing difficulties. The recent government shut down was a good example of this as they were able to work with several members and help them through this difficult period.

Leominster Credit Union also helped its members by offering educational programs such as first-time homebuyer sessions, and student lending seminars. These turned out to be well attended, and the feedback from its members was very positive. They also conducted financial literacy programs at five area high schools as well as seminars on Elder Financial Abuse.

While he thinks they did a good job serving its current member's needs, they also prepared for the needs of its future members. The credit union continued to improve its technology. Leominster Credit Union improved its bandwidth in all its branches to help improve the member service experience. The credit union also took several steps to better protect its member's information. Leominster Credit Union upgraded its consumer loan origination system, upgraded its ATM's, and improved its debit card security.

Leominster Credit Union continued to have excellent exams from both the NCUA and the Massachusetts Division of Banks. That is no easy task in today's highly regulated and ever-changing compliance environment.

Leominster Credit Union has a long history of enriching its communities and that continued in 2018. The credit union donated over \$133,000, the most ever in the history of LCU, to 120 local charities. Leominster Credit Union worked to improve its communities not only with donations but also with its time. LCU employees spent 2,527 hours volunteering with local charities

Mr. O'Brien noted that he could go on and on about the work its employees do in their communities. He noted that everyone should all be very proud of this. Mr. O'Brien wanted to share with everyone a brief video that its Marketing Department put together highlighting this work.

A Video was presented.

He thanked the Board for all the cooperation they provided him during the last year. He would also to thank the former director Andy Cousins, who recently retired from the Board after thirteen years and he also like to congratulate him on his election as an Honorary Director. Welcome to Andy's replacement, Nancy Dube, to the Board. Nancy has been a member of our Advisory Committee for seven years. Welcome, Nancy.

John O'Brien thanked the senior managers, as well as Rachel, for all their hard work and cooperation. It continues to be an honor to be the President of Leominster Credit Union.

Now we have to look forward to 2019. He thinks that the credit union is poised to have an outstanding year. The senior managers, along with the Board and Advisory Committee,

spent a great deal of time creating a solid Strategic Plan. The five main goals are simple – Engaged and motivated employees, Growth of members, exceptional member service, technology efficiencies, and community enrichment. Everyone realizes that Leominster Credit Union needs to continue to improve every single day if the credit union is to achieve the goal of serving its member's financial needs.

In closing, Mr. O'Brien thanked the Board and all the employees for everything they do every day. Because of them, his job is very enjoyable. Leominster Credit Union has a hard working dedicated team.

Most of all he wanted to thank its members for continuing their loyalty and allowing Leominster Credit Union to serve their financial needs.

This concluded the President's Report.

Upon motion duly made and seconded, it was

Voted: To accept the President's report as read.

Nancy Graves, Treasurer then made a motion: that the maximum amounts for loans, both secured and unsecured for Leominster Credit Union remain the maximum amounts allowed by law.

After the motion was seconded, it was

Voted: That the maximum amounts for loans, both secured and unsecured, for Leominster Credit Union remain the maximum amounts allowed by law.

Nancy Graves, Treasurer then made a motion that the memberships ratify the payment of \$83,036.22 for the Board of Director expenses, expense reimbursement and other costs during 2018 in addition to \$1500.00 representing the service awards.

After the motion was seconded, it was

Voted: That the memberships ratify the payment of \$83,036.22 for Board of Directors' expenses and reimbursements during 2018 in addition to \$1500.00 representing the service awards.

The Chairman presented to the membership changes to consider to the credit union bylaws. The current bylaws of Leominster Credit Union were available for viewing and the proposed bylaw changes were detailed in a handout that was available for attendees. The bylaws require a three-fourths member vote. The bylaws were brought to membership and recommended for adoption by the Board of Directors.

After motion was made and seconded, it was

VOTED: To accept the changes to the bylaws of Leominster Credit Union as presented.

Giulio Greco, Clerk announced the names of directors seeking election to the Board of Directors of Leominster Credit Union:

Bruce J. Bollivar – Three year term, expiring April, 2022
Nancy L. Graves – Three year term, expiring April, 2022
Joseph V. Quintal - Three year term, expiring April, 2022
Richard A. Sheppard – Three year term, expiring April, 2022
Nancy L. Dube – One year term, expiring April, 2020

Nancy Graves, Chairperson of the Nominating Committee of Leominster Credit Union noted that because the Clerk had not received nominations from other members seeking election to the Board of Directors, in accordance with the Credit Unions bylaws, she called for nominations to be closed.

A motion was made requesting the Clerk to cast one ballot for the slate of directors proposed by the Nominating Committee; consisting of: Bruce J. Bollivar, Nancy L. Graves, Joseph V. Quintal, Richard A. Sheppard and Nancy L. Dube.

Upon motion duly made, and seconded, it was

Voted: To elect Bruce J. Bollivar, Nancy L. Graves, Joseph V. Quintal and Richard A. Sheppard for a three year term expiring in 2022 and to elect Nancy L. Dube for a one year term expiring in 2020.

Michael Sauvageau asked if there were any questions or comments from the membership.

As there was no more business to conduct, the Chairman requested a motion to adjourn.

Upon motion duly made, and seconded, it was

Voted: To adjourn.

Meeting adjourned at 5:49 P.M.

Giulio G. Greco, Clerk