



ANNUAL MEETING REPORT 2017

CHAIRMAN'S LETTER

ON BEHALF OF YOUR Board of Directors, I am proud to announce that 2017 was another successful year for Scott Credit Union.

The credit union paid out \$4.9 million in dividends to members in 2017. We were able to share our success by paying active members a 1.0% Bonus Dividend on shares as well as providing a 1.0% loan interest rebate to our borrowers. The bonus dividend and loan interest rebate, which totaled over \$500,000, are examples of the value of membership with Scott Credit Union.

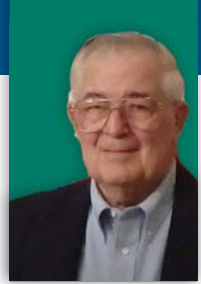
We were again successful in 2017 with continued growth in Scott Credit Union membership. With our network of branches and ATMs, as well as our online and mobile offerings, we were able to provide convenient products and services to area residents. We again experienced solid loan volume thanks to the competitive rates we offer.

The commitment of the Board of Directors, management and staff of Scott Credit Union continues to be focused on the fiscal interest of the credit union, the needs of our members, and the welfare of our community. It is our duty and obligation to support the communities in which we live and work.

Because of our success in 2017, we were also able to give more support to the communities we serve. We contributed \$424,000 to a variety of fundraising efforts, community events, and civic organizations, including activities at Scott Air Force Base. Our employees also volunteered more than 2,400 hours in the community this past year. We are extremely proud of the volunteer efforts of our staff in 2017.

The charitable efforts we supported in 2017 included the American Cancer Society, American Heart Association, Big Brothers, Big Sisters, Lupus Foundation of America, March of Dimes, Mended Hearts, National Children's Cancer Society, National MS Society, Polycystic Kidney Disease Foundation, Purple Heart Homes, Salvation Army and Special

Olympics. We also donated over \$35,000 to the United Way from the proceeds of the 11th annual Scott Credit Union golf tournament.



Additionally, some of our larger civic partnerships included the 126th Air Refueling Wing, 375th Force Support Squadron, Climb for PTSD, Edwardsville YMCA, Gateway Region YMCA, Highland Area Community Foundation, Kaskaskia College Veteran's Tribute, Memorial Hospital in Belleville, National Shrine of Our Lady of the Snows, Songs for Soldiers, St. Elizabeth's Hospital, and St. Joseph's Hospital in Highland. We were also proud to again financially support many local schools, colleges and universities and community sports teams.

I am also pleased to report that our employees and members once again supported many additional local charities and organizations. During the year, they raised money and donated items for the Muscular Dystrophy Association, Illinois Center for Autism, Gateway Region YMCA Backpack Attack, United Way and Hurricane Harvey Relief.

Employees of SCU also provided financial education to more than 2,000 students from 13 area schools and youth organizations during the last school year. We sponsored 25 CU4Reality Financial Education Fairs to teach students important money management and budgeting skills. We were also proud to fund a \$1,000 scholarship for a student at Southwestern Illinois College.

I am proud of Scott Credit Union and look forward to a future of sustained success and service to our members. On behalf of the Board of Directors, management and staff, thank you for your continued support.

William P. Hostetter, CMSGT (USAF Ret)
Chairman, Board of Directors

Providing value is key to success in 2017

PROVIDING MEMBERS with the best overall value is the driving force that allowed us to be successful again in 2017. We truly are focused on doing the right thing for our members by providing the best value. We believe in taking care of our members and we are happy to provide you with the best money-saving alternative for your finances.

Because of our not-for-profit cooperative structure, we offer you lower rates when you borrow money, better rates on your savings, lower fees, and even the recent bonus dividend and loan interest rebate. Our cooperative structure has allowed us to give over \$10 million back to members over the past 10 years.

We simply put that money back into members' accounts. 2017 marked the 26th consecutive year for a bonus dividend and the 11th year we were able to give a loan interest rebate back to you – our members. The bonus dividend and loan interest rebate are just one example of the value of your membership. We are confident that choosing Scott Credit Union is a good decision.

We are very pleased to announce that the Credit Union is financially strong and continues to see growth in membership and loan volume.

We were also excited in 2017 to realize growth in our Mortgage Department. We provided members with \$106 million in mortgage loans to help them realize their dreams of home ownership. That was up 30% from loans originated the previous year.

I also would like to share some additional financials from 2017. We finished the year with capital at more than \$106.8 million which is 9.58% of assets. Scott Credit Union remains above the 7.00% regulatory standard that is considered well capitalized.

Our net earnings for 2017 were nearly \$9.8 million. Our assets at the end of 2017 were

at \$1.12 billion. Membership in 2017 increased 3.03% from 2016 to 139,375 members.

Credit unions like SCU exist to serve their members, including working families, small businesses, and the local community. SCU has contributed approximately \$2.6 million and its employees have volunteered 19,000 hours to a variety of local civic efforts throughout the region in the past nine years. We are proud to be able to give back to the communities in which our members live and work.

In 2017, we remained committed to the strategy of being the best place to work. Our efforts were rewarded when we were named a St. Louis Post-Dispatch Top Workplace for the sixth straight year. Of the 120 companies named as a Top Workplace in three categories, SCU was one of only 10 recognized for the sixth consecutive year. We believe that employees who enjoy their workplace provide better service to our members.

We are looking to continue our success in 2018 because of our conservative management and strong financial position.

Throughout 2017, we also focused on being the highest quality and most convenient financial institution in the markets we serve. Our success would not be possible without our members. Our continued success is also made possible by the commitment of our Board of Directors and our staff, which remains dedicated to providing exceptional service.

We will continue to provide members with as much value as possible. That means that each and every day we will be guided by our members' best interest. We look forward to a successful 2018!

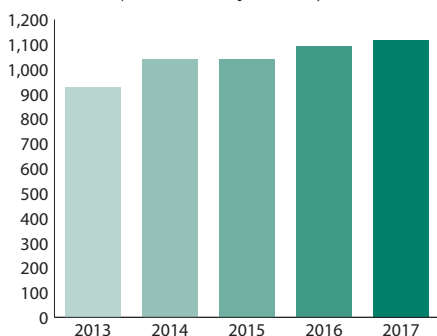
Thank you,
Frank M. Padak, President & CEO



FIVE-YEAR PERFORMANCE

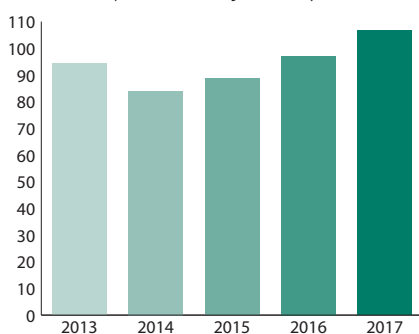
ASSETS

(in millions of dollars)



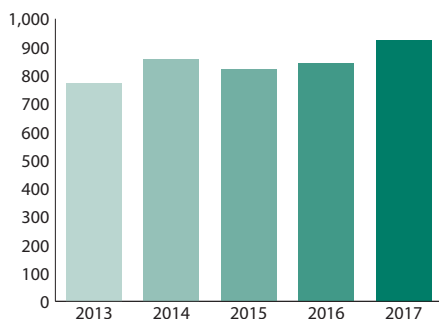
EQUITY

(in millions of dollars)



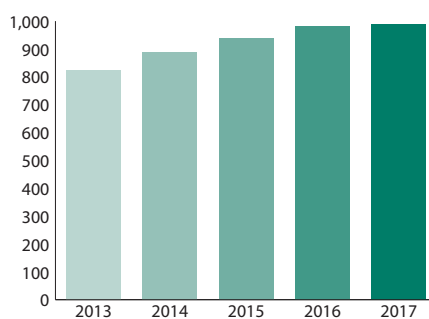
NET LOANS

(in millions of dollars)



SHARES

(in millions of dollars)



	2017	2016	2015	2014	2013
Total Assets	\$1,115,637,231	\$1,092,616,184	\$1,039,805,974	\$1,040,110,871	\$928,998,458
Total Shares	\$990,198,985	\$980,299,415	\$940,355,090	\$889,903,753	\$824,422,403
Total Members	139,375	135,282	131,800	126,379	114,169
Dividends Paid	\$4,903,651	\$6,194,700	\$6,741,502	\$6,096,387	\$6,305,898
Loans, Net	\$923,797,970	\$841,622,892	\$820,647,329	\$858,027,880	\$773,623,211
Number of Loans Granted	23,792	22,806	22,236	29,816	23,922
Amount of Loans Granted	\$512,196,684	\$463,618,299	\$423,183,002	\$538,523,821	\$429,135,853
Number of Loans	82,679	80,760	80,236	81,458	75,254
Gross Income	\$55,502,306	\$57,403,807	\$52,826,314	\$52,115,152	\$48,954,570
Net Interest Margin	\$27,114,871	\$17,886,628	\$17,930,535	\$18,834,433	\$22,744,490
Net Income	\$9,759,876	\$8,489,065	\$4,635,962	\$(10,318,378)	\$8,131,164

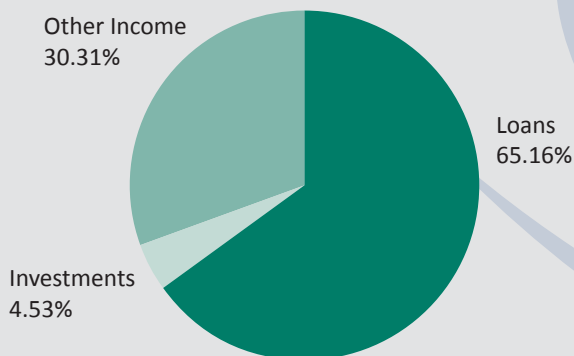
BALANCE SHEET

(Dollars in thousands)

ASSETS	2017	2016
Cash & cash equivalents	\$ 13,338	\$ 17,139
Investments		
Available-for-sale	24,743	-
Held-to-maturity	9,731	1,302
Other	70,412	168,558
Federal Home Loan Bank (FHLB) stock	2,030	1,368
Loans held-for-sale	1,451	1,946
Loans receivable, net allowance for loan losses	923,798	841,623
Accrued interest receivable	2,615	2,209
Premises and equipment, net	28,232	28,852
National Credit Union Share Insurance Fund deposit	9,690	9,290
Other Assets	29,597	20,329
TOTAL ASSETS	\$ 1,115,637	\$ 1,092,616

LIABILITIES & MEMBERS' EQUITY	2017	2016
Liabilities		
Accrued expenses & other liabilities	\$ 18,274	\$ 14,824
Interest payable	373	365
Total liabilities	18,647	15,189
Members' Equity		
Share & savings accounts	990,199	980,299
Regular reserve	14,229	14,229
Undivided earnings	92,659	82,899
Accumulated other comprehensive loss	(97)	-
Total members' equity	1,096,990	1,077,427
TOTAL LIABILITIES & MEMBERS' EQUITY	\$ 1,115,637	\$ 1,092,616

2017 Sources of Income

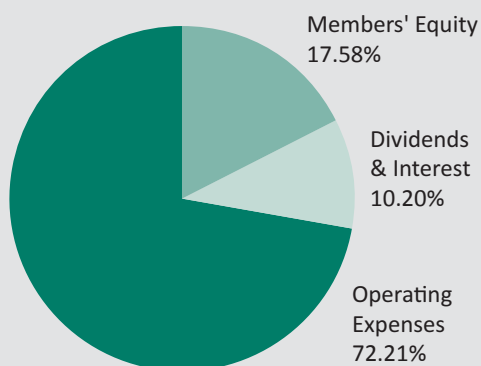


INCOME STATEMENT

(Dollars in thousands)

	2017	2016
Interest Income		
Interest on loans receivable	\$ 36,166	\$ 33,867
Interest on investments	2,512	1,163
Interest income	<u>38,678</u>	<u>35,030</u>
Interest Expense		
Dividends on members' share & savings accounts	4,904	6,195
Interest on borrowed funds	760	154
Interest expense	<u>5,664</u>	<u>6,349</u>
Net Interest Income	33,014	28,681
Provision for Loan Losses	<u>5,900</u>	<u>10,795</u>
Net Interest Income After Provision for Loan Losses	<u>27,114</u>	<u>17,886</u>
Non-Interest Income		
Fees and service charges	8,935	8,614
Other non-interest income	7,889	8,023
Recovery due to loan defalcation	-	5,737
Non-interest income	<u>16,824</u>	<u>22,374</u>
	<u>43,938</u>	<u>40,260</u>
Non-Interest Expense		
Compensation and employee benefits	16,931	15,481
Operations	10,061	9,204
Loan servicing	2,774	2,407
Occupancy	2,426	2,565
Education and promotion	1,310	1,404
Professional and outside services	660	680
Loss on disposition of assets acquired in liquidation, net	16	30
Non-interest expense	<u>34,178</u>	<u>31,771</u>
NET INCOME	\$ 9,760	\$ 8,489

2017 Distribution of Income



LEADERSHIP

BOARD OF DIRECTORS

William P. Hostetter, CMSgt (USAF Ret)
Chairman

Sheila M. Vallowe
Vice Chairman

Roselyn M. Altman
Secretary

Frank M. Padak
Treasurer

Michele R. Gehlbach

Lawrence J. Haffner

Donald E. Pierre, SMSgt (USAF Ret)

ASSOCIATE DIRECTORS

Christopher Sobrino

Mark H. Witkowski

EMERITUS DIRECTOR

Betty L. Renth

SENIOR MANAGEMENT

Frank M. Padak
President & Chief Executive Officer

Christopher J. Browner
Chief Financial Officer

Eric M. Ham
Chief Information Officer

Marna J. Asbury
*Vice President of
Mortgage Lending*

Chris A. Davis
*Vice President of Commercial Lending
& Business Services*

Deanna M. O'Neill
*Vice President of
Employee Services*

David J. Roth
*Vice President of
Account Services*

Scott A. Seidl
Executive Vice President

Linda L. Fedrick
Chief Operating Officer

Adam J. Koishor
Chief Marketing Officer

Dale L. Beard
*Vice President of
Risk Management*

Linda L. Hickman
*Vice President of
Consumer Lending*

Scott B. Peters
*Vice President of
Finance*

Mission Statement: Banking Simplified

LOCATIONS

Home Office

101 Credit Union Way
Edwardsville, IL 62025

Edwardsville

1067 S. State Route 157
Edwardsville, IL 62025

Millstadt

548 E. Washington, Suite 2
Millstadt, IL 62260

Waterloo

1019 N. Illinois Street
Waterloo, IL 62298

Caseyville

2134 S. Morrison Avenue
Caseyville, IL 62232

Fairview Heights

555 Lincoln Highway
Fairview Heights, IL 62208

O'Fallon

712 W. Highway 50
O'Fallon, IL 62269

West Belleville

4807 W. Main Street
Belleville, IL 62226

Collinsville

1100 Belt Line Road
Collinsville, IL 62234

Highland

12455 State Route 143
Highland, IL 62249

Scott AFB

302 W. Winters Street
Scott AFB, IL 62225

Wood River

570 Wesley Drive
Wood River, IL 62095

East Belleville

648 Carlyle Avenue
Belleville, IL 62221

Mascoutah

1248 W. Main Street
Mascoutah, IL 62258

Troy

501 Edwardsville Road
Troy, IL 62294



www.scu.org

Member Service Center:
(618) 345-1000 or (800) 888-4SCU (4728)

*Scott Credit Union is an
Equal Opportunity Employer.*



Federally Insured by NCUA