

Ready to Grow



ANNUAL MEETING REPORT 2018



CHAIRMAN'S LETTER

ON BEHALF OF YOUR Board of Directors, I am proud to announce that 2018 was another successful year for Scott Credit Union.

The credit union paid out \$5.6 million in dividends to members in 2018. 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 \$570,000, are examples of the value of membership with Scott Credit Union.

We were again successful in 2018 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. We also are proud to have opened our first branch in St. Louis County, and to have announced plans for two additional branches.

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 2018, we were also able to give more support to the communities we serve. We contributed \$371,000 to a variety of fundraising efforts, community events, and civic organizations, including activities at Scott Air Force Base. Our employees also volunteered 2,000 hours in the community this past year. We are extremely proud of the volunteer efforts of our staff in 2018.

The charitable efforts we supported in 2018 included the Alzheimer's Association, American Cancer Society, American Heart Association, Backstoppers, Big Brothers Big Sisters, Helping Hand Me Downs, Lupus Foundation of America, March of Dimes, National Children's Cancer Society, National MS Society, Polycystic Kidney Disease

Foundation, Purple Heart Homes, and Special Olympics. We also donated over \$35,000 to the United Way from the proceeds of the 12th annual Scott Credit Union Community Foundation golf tournament.

Additionally, some of our larger civic partnerships included the 126th Air Refueling Wing, 375th Force Support Squadron, Edwardsville YMCA, Gateway Region YMCA, Highland Area Community Foundation, Memorial Hospital in Belleville, National Shrine of Our Lady of the Snows, Songs for Soldiers, St. Elizabeth's Hospital in O'Fallon, 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 Book Fair, United Way, Dogs That Help and various holiday charity campaigns throughout our communities.

Employees of SCU also provided financial education to more than 2,200 students from 13 area schools and youth organizations during the last school year. We sponsored 22 CU4Reality Financial Education Fairs to teach students important money management and budgeting skills. We were also proud to fund \$1,000 scholarships for a student at Southwestern Illinois College and Lewis and Clark Community College.

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

*CMSgt. William P. Hostetter (Ret),
Chairman, Board of Directors*



PRESIDENT'S LETTER

Scott Credit Union is poised for growth

SCOTT CREDIT UNION continued to provide members with a great value, and took steps toward growth, in another successful year in 2018. Throughout the year, we remained focused on providing our members with the best money saving alternative.

We focused in 2018 on the growth of the credit union to better serve our overall membership. We opened our first branch in St. Louis County in Ladue, while announcing plans for a new branch in Columbia, IL, and a second on the Missouri side of the river in Crestwood.

Also in 2018, we joined the CO-OP Shared Branch Network, giving members the option to perform their SCU banking transactions at any of more than 5,000 participating non-Scott Credit Union locations nationwide. Members can make deposits and withdrawals, transfers, and auto loan payments at participating non-SCU branches.

We also are proud to announce that we launched the Scott Credit Union Community Foundation in 2018 to expand on our commitment to support our communities. The charitable foundation will raise money through our annual golf tournament and will establish a scholarship program to benefit students at area high schools. 100% of the proceeds raised by the 501(c)(3) Community Foundation will be donated back to our communities. Plus, a percentage of members' debit card purchases with EPIC Checking also will be donated to the Foundation.

Our growth is only possible due to the loyalty of our members who choose SCU. We continue to 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 \$11 million back to members over the past 11 years.

2018 marked the 27th consecutive year for a bonus dividend and the 12th year we gave a loan interest rebate back to you—our members. The bonus dividend and loan interest rebate are examples of the value of your membership.

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

I would like to share some additional financials from 2018. We finished the year with capital at \$118.2 million which is 9.73% of assets. Scott Credit Union remains above the 7.00% regulatory standard that is considered well capitalized. Our net earnings for 2018 were \$11.8 million. Our assets at the end of 2018 were at \$1.2 billion. Membership in 2018 increased 2.45% from 2017 to 142,796 members.

Credit unions like SCU exist to serve members, including working families, small businesses, and the local community. SCU has contributed approximately \$2.9 million and its employees have volunteered over 20,000 hours to a variety of local civic efforts throughout the region in the past 10 years. We are proud to be able to give back to the communities we serve.

In 2018, we were named a St. Louis Post-Dispatch Top Workplace for the seventh straight year. Of the 150 companies named as a Top Workplace in three categories, SCU was one of only nine recognized for the seventh consecutive year. We believe that employees who enjoy their workplace provide better service to our members.

We are looking to continue our success in 2019 because of our conservative management and strong financial position. 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 the best value and a great experience to our members.

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 2019!

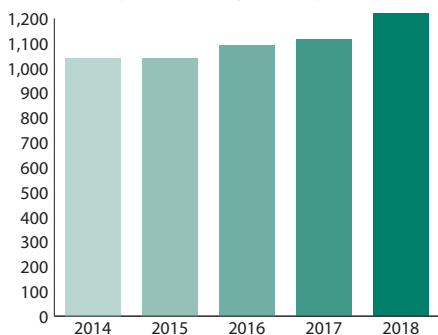
*Thank you,
Frank M. Padak, President & CEO*



FIVE-YEAR PERFORMANCE

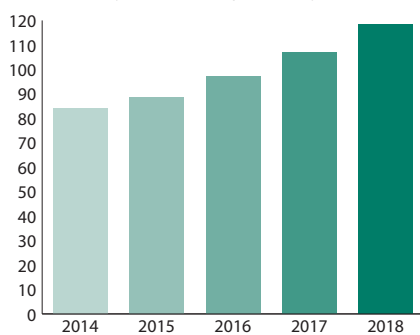
ASSETS

(in millions of dollars)



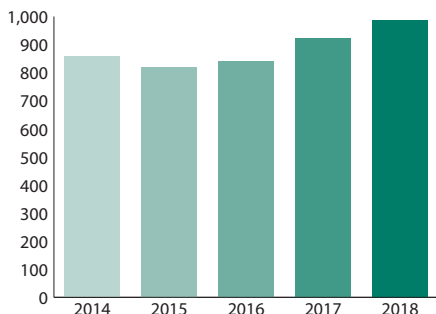
EQUITY

(in millions of dollars)



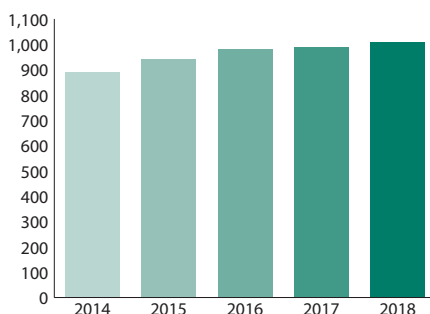
NET LOANS

(in millions of dollars)



SHARES

(in millions of dollars)



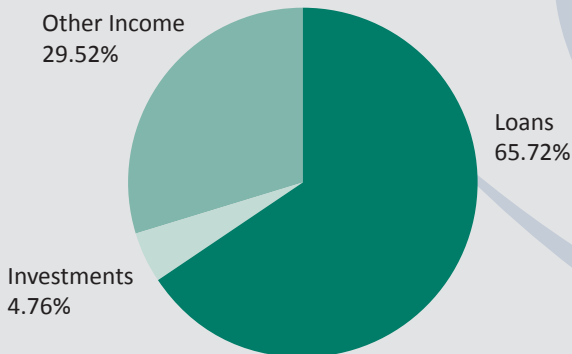
	2018	2017	2016	2015	2014
Total Assets	\$1,219,604,280	\$1,115,637,231	\$1,092,616,184	\$1,039,805,974	\$1,040,110,871
Total Shares	\$1,007,247,705	\$990,198,985	\$980,299,415	\$940,355,090	\$889,903,753
Total Members	142,796	139,375	135,282	131,800	126,379
Dividends Paid	\$5,628,145	\$4,903,651	\$6,194,700	\$6,741,502	\$6,096,387
Loans, Net	\$987,700,537	\$923,797,970	\$841,622,892	\$820,647,329	\$858,027,880
Number of Loans Granted	24,338	23,792	22,806	22,236	29,816
Amount of Loans Granted	\$522,402,644	\$512,196,684	\$463,618,299	\$423,183,002	\$538,523,821
Number of Loans	85,349	82,679	80,760	80,236	81,458
Gross Income	\$64,529,425	\$55,502,306	\$57,403,807	\$52,826,314	\$52,115,152
Net Interest Margin	\$30,531,797	\$27,114,871	\$17,886,628	\$17,930,535	\$18,834,433
Net Income	\$11,761,698	\$9,759,876	\$8,489,065	\$4,635,962	\$(10,318,378)

BALANCE SHEET

(Dollars in thousands)

ASSETS	2018	2017
Cash & cash equivalents	\$ 16,427	\$ 13,338
Investments		
Available-for-sale	22,361	24,743
Held-to-maturity	8,123	9,731
Other	116,586	70,412
Federal Home Loan Bank (FHLB) stock	1,600	2,030
Loans held-for-sale	1,812	1,451
Loans receivable, net allowance for loan losses	987,701	923,798
Accrued interest receivable	2,855	2,615
Premises and equipment, net	31,478	28,232
National Credit Union Share Insurance Fund deposit	9,840	9,690
Other Assets	20,821	29,597
TOTAL ASSETS	\$ 1,219,604	\$ 1,115,637
LIABILITIES & MEMBERS' EQUITY	2018	2017
Liabilities		
Members' share and savings accounts	\$ 1,007,248	\$ 990,199
Borrowing	80,000	–
Interest payable	615	373
Accrued expenses and other liabilities	13,545	18,274
Total liabilities	1,101,408	1,008,846
Members' Equity		
Regular reserve	14,229	14,229
Undivided earnings	104,421	92,659
Accumulated other comprehensive loss	(454)	(97)
Total members' equity	118,196	106,791
TOTAL LIABILITIES & MEMBERS' EQUITY	\$ 1,219,604	\$ 1,115,637

2018 Sources of Income

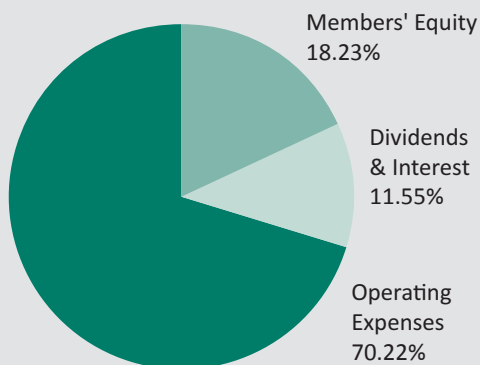


INCOME STATEMENT

(Dollars in thousands)

	2018	2017
Interest Income		
Interest on loans receivable	\$ 42,410	\$ 36,166
Interest on investments	3,073	2,512
Interest income	45,483	38,678
Interest Expense		
Dividends on members' share & savings accounts	5,628	4,904
Interest on borrowed funds	1,823	760
Interest expense	7,451	5,664
Net Interest Income	38,032	33,014
Provision for Loan Losses	7,500	5,900
Net Interest Income After Provision for Loan Losses	30,532	27,114
Non-Interest Income		
Fees and service charges	8,921	8,935
Other non-interest income	10,126	7,889
Non-interest income	19,047	16,824
	49,579	43,938
Non-Interest Expense		
Compensation and employee benefits	18,133	16,931
Operations	11,238	10,061
Loan servicing	2,862	2,774
Occupancy	2,683	2,426
Education and promotion	2,042	1,310
Professional and outside services	829	660
Loss on disposition of assets acquired in liquidation, net	30	16
Non-interest expense	37,817	34,178
NET INCOME	\$ 11,762	\$ 9,760

2018 Distribution of Income



LEADERSHIP

BOARD OF DIRECTORS

William P. Hostetter, CMSgt (USAF Ret)
Chairman

Lawrence J. Haffner
Vice Chairman

Joanne A. Carden
Secretary

Frank M. Padak
Treasurer

Michele R. Gehlbach

Sarah E. Holdener

Deborah Lane

Christopher Sobrino

Mark H. Witkowski

ASSOCIATE DIRECTORS

Jacob S. Curtis

Joan E. O'Saben

George W. Sconyers

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

Carrie L. O'Connor
Chief Lending Officer

Marna J. Asbury
*Vice President of
Mortgage Lending*

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

Alicia Kallal
*Vice President of
Branch Operations*

Scott B. Peters
*Vice President of
Finance*

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*

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

David J. Roth
*Vice President of
Account Services*

LOCATIONS

Home Office

101 Credit Union Way
Edwardsville, IL 62025

East Belleville

648 Carlyle Avenue
Belleville, IL 62221

Ladue

8866 Ladue Rd.
St. Louis, MO 63124

Troy

501 Edwardsville Road
Troy, IL 62294

Collinsville

1100 Belt Line Road
Collinsville, IL 62234

Edwardsville

1067 S. State Route 157
Edwardsville, IL 62025

Mascoutah

1248 W. Main Street
Mascoutah, IL 62258

Waterloo

1019 N. Illinois Street
Waterloo, IL 62298

Columbia

1000 Eleven South
Columbia, IL 62236

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

Crestwood

9792 Watson Rd.
St. Louis, MO 63126

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



www.scu.org

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

*Scott Credit Union is an
Equal Opportunity Employer.*



Federally Insured by NCUA