

Onward and upward.

2015 Annual
Meeting Report



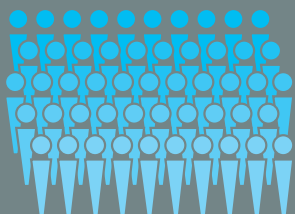
 **SCIENT**
Federal Credit Union®

IN 2014



Total Members

15,386



Total Employees

51



New SEGs

3

President's Report

It's been a phenomenal year for the greater US economy in many areas. 2014 brought soaring equity markets, plunging gasoline prices, a growing, spirited US economy, and low interest rates. Yet there are still headwinds in the global economy and geopolitical issues continue to overshadow domestic gains.

Despite these difficulties the Scient Federal Credit Union team once again pulled together, producing a solid financial performance, as well as substantial progress on several key strategic initiatives. For Team Scient, it is onward and upward with over \$721,000 in earnings for 2014, increasing net worth to 8.92% (an important measurement of a financial institutions safety and soundness).

The year ended with \$224 million in total assets. We continue to support members by helping fulfill their financial dreams. The credit union originated over \$82.5 million of new loans from mortgages, automobile and student loans.

As part of Scient FCU's long term strategic plan, a number of milestones were initiated or achieved in 2014 including:

1. To meet members' needs, credit card offerings were re-designed early in the year in order to create a clear value proposition for each of the Visa cards—Classic, Platinum, and Signature Helix.

We now offer Visa cards with no annual fee, 0% balance transfer, and free text or email account alerts to verify purchases with rates as low as 7.99%.

The Helix Visa Signature card offers enhanced premier rewards, and cash back opportunities, as well as exclusive benefits including 24/7 access to the complimentary VISA Signature Concierge® service, with the first year's fee waived.

2. In order to continue delivering on the service promise to innovate and improve our member experience, we implemented a new mortgage origination system with enhanced features including a new user interface. This system will make your home financing experience easier.

3. We expanded our life science business development efforts in 2014, establishing five new partnerships that extend our presence within existing and new markets.

4. Scient Financial Services, a key 2014 strategic initiative, launched after an extensive RFP process which spanned several months. CUSO Financial Services is an excellent partner. We added a new Financial Advisor, Mr. Kyle Nye to help members better achieve their financial goals.

If you have not had an opportunity to meet Kyle, please give him a call at 860-441-0909, or email him at kyle.nye@scientfcu.org.

5. Scient's primary banking system is getting an upgrade. As part of our long term strategic plan, the new system will allow us to make banking more convenient for our members through enhanced products and services such as Remote Deposit Capture (RDC) and person-to-person payment capabilities.

As we look to the future and reflect on the past, we continue to remain committed to grow Scient Federal Credit Union, expand our portfolio of products and services, and improve our service levels. You, our member-owners, continue to be our first priority. Thank you for your membership, continued trust, and support. We look forward to 2015 and moving Scient onward and upward!



Cheers,

Bruce J. Fafard
President & CEO

Chairman's Report

I'm proud to look back at 2014 as an instrumental year of progress and continued commitment to delivering on our service promise of creating an outstanding member experience. Providing enhanced products and services to help support your financial wellness remains our utmost priority.

With this focus in mind, one such enhancement is our introduction of Scient Financial Services. In partnership with CUSO Financial Services, our mission is simple: to help you reach your short term and long term financial goals. We recognize that each member has unique financial needs that change with every phase of their life. Take an opportunity to schedule a complimentary consultation with our financial advisor, Kyle Nye. This financial review is a free benefit available to all Scient members across the nation.

In addition to launching financial services, your credit union has also implemented a new mortgage origination system and redesigned the credit card offerings to provide you with expanded lending solutions. The enhanced features will improve your financial experience with Scient and add value to an already exceptional platform of lending benefits.

It is always very gratifying to see our membership continue to expand within our current markets and beyond. In 2014, the Credit Union celebrated the addition of new select employee groups in New Jersey and California, two geographies that provide Scient with significant opportunity for future growth. I am pleased to welcome Janssen Research and Development, Inc., InnoPharma, Inc. (now a wholly owned subsidiary of Pfizer, Inc.), and Exelixis, Inc.—among others—to Scient!

In addition to our 2014 accomplishments, the year also heralded the introduction of exciting new enhancements to our credit union's technology that will be implemented by the end of 2015. These investments are instrumental components to delivering on our commitment to provide the highest quality support to our members across all of Scient's service delivery channels. As we look ahead to 2016, our enhanced technology platform will provide us the ability to offer new products and services, such as remote deposit capture and person-2-person payment capabilities, as well as a significantly improved online experience. These investments have been made for the benefit of our members and we look forward to serving you better with these valuable new solutions.

I would like to take this opportunity to thank each Scient Federal Credit Union employee for their dedication to serving our membership. I would also like to thank the Board for their time and efforts. Most importantly, my sincere thanks go to our members for trusting Scient as your credit union. You are the reason we are here, working to create a better credit union, year after year.



Best Regards,

Rick Teixeira
Chairman of the Board

IN 2014



**Total in Checking
and Savings**

\$196,995,505



**Total Loans to
Members**

\$188,730,801

Treasurer's Report

Scient continued its momentum in 2014, building its capital with solid earnings of \$721,000, almost \$300,000 greater than the prior year. Total regulatory capital accumulated for the first time has exceeded \$20 million. For the sixth consecutive year, the credit union was solidly profitable, generating its highest level of earnings since 2011. The credit union's Net Worth Ratio increased by 42 basis points to 8.91% as of year end 2014—well above the 7.00% level needed to be classified as “well capitalized” under applicable government regulations—and its highest year end ratio since 2008.

The balance sheet of \$224.4 million consists principally of \$187.1 million in loans to members and \$25.6 million in various investments. Loans outstanding to members as of December 31, 2014 decreased \$8.5 million or 4.3% compared to the prior year end as a direct result of timing of asset sales. Scient also serviced \$51 million of member real estate loans that it sold in the secondary market. For the first time in 2014, Scient began to service \$5.1 million of participations in auto loans that it sold to two other credit union Participant-Buyers. These sales allowed the credit union to fund more mortgages and auto loans for members while retaining a 10% portion of the sold loans and 100% of their member relationships and loan servicing, which boosted fee income. Such fee income is critical and benefits our member base by allowing us to maintain competitive fees on other services.

This strong performance was based on over \$82.5 million in loans and lines of credit being extended to our members during 2014, including \$23 million in mortgage and home equity originations. \$60 million in consumer loans were provided to members, and the year-end loan to share ratio was 95.8%, which is well above its peer industry average of 69.9%.

The increase in earnings of \$295 thousand compared to the prior year principally benefited from a \$175 thousand increase in net interest income and an increase in non-interest income of \$61,000.

Net interest income was primarily attributed to the decrease in interest rates during the past few years and the resulting actions to adjusting interest rates on members' deposits to market levels. Non-interest income changes resulted from efforts to re-direct members to more efficient electronic services and adjusting convenience fees (for example, fees for electing paper statements in addition to e-statements and overdraft transfer transaction fees where funds from one account are transferred to prevent checking overdrafts.)

Scient as always, continues to work closely with its members to resolve any financial difficulties they may be encountering. The collection department, working with members, managed to recover over \$211,000 on previously charged off loans, an increase of \$75,000 or 55% compared to 2013. Members experiencing difficult times appreciated Scient reaching out to them to help them resolve their credit issues, which resulted in a “win-win” for both parties.

The credit union's strong risk management process includes use of third party state of the art modeling and use of outside experts as appropriate. Risks are assessed and managed on a real time basis. Modeling indicates that Scient has low to moderate interest-rate risk.

Prudent use and repayment of select advances has allowed Scient to efficiently support its loan origination and operating activities in light of seasonal deposit flow swings. As of year-end 2014, advances were reduced in half from the prior year to \$6 million. The credit union maintains access to the Federal Reserve Bank of Boston discount window, in total as of year-end the credit union had \$35 million in unused lines of credit.

2014 was a year of progress and accomplishment. We remain optimistic as further progress is already evident in 2015 with Scient completing its first merger with New Haven Postal Employees Federal Credit Union in the first quarter, and many member service improvements scheduled for later in the year.

In closing, I'd like to thank each and every member for making Scient Federal Credit Union what it is today. We greatly appreciate your loyalty.



Sincerely,

A handwritten signature in black ink that reads "Jennifer Gilletti". The signature is fluid and cursive.

Jennifer Gilletti

Treasurer of the Board



Statements of Financial Condition

ASSETS		
	2014	2013
Cash and cash equivalents	\$4,175,932	\$7,537,671
INVESTMENTS		
Available for sale	8,234,010	8,925,389
Held to maturity	1,473,134	1,934,982
Trading	1,492,651	1,402,115
Other	14,413,889	3,903,724
Loans to members net allowance for loan losses	187,099,396	196,209,459
ACCRUED INTEREST RECEIVABLE		
Investments	26,896	28,448
Loans	666,432	696,060
Prepaid and other assets	1,534,346	1,209,082
Property and equipment	3,372,777	3,296,750
NCUSIF deposit	1,912,187	1,943,996
TOTAL ASSETS	\$224,401,650	\$227,087,676

LIABILITIES & MEMBER EQUITY		
	2014	2013
LIABILITIES		
Members' share and savings accounts	\$196,982,884	\$194,959,283
Borrowed funds	6,000,000	12,000,000
Accounts payable & accrued liabilities	2,240,114	1,536,691
Total Liabilities	205,222,998	208,495,974
MEMBER EQUITY		
Regular reserve	1,582,525	1,582,525
Undivided earnings	18,422,916	17,702,414
(Accumulated other comprehensive loss)	(826,789)	(693,237)
Total Member Equity	19,178,652	18,591,702
TOTAL LIABILITIES & MEMBER EQUITY	\$224,401,650	\$227,087,676

Statements of Income

	2014	2013
INTEREST INCOME		
Loans to members	\$8,614,499	\$8,792,412
Investments	423,292	359,616
Total interest income	9,037,791	9,152,028
INTEREST EXPENSE		
Members' share and savings accounts	1,047,637	1,362,708
Borrowed funds	67,013	41,473
Total interest expense	1,114,650	1,404,181
Net interest income	7,923,141	7,747,847
Provision for Loan Losses	1,228,756	1,318,466
NET INTEREST INCOME after provision for loan losses	6,694,385	6,429,381
NON-INTEREST INCOME		
Miscellaneous operating income	1,113,816	1,124,105
Fees and service charges	683,126	588,981
Gain on sale of loans, net	517,119	539,560
Total non-interest income	2,314,061	2,252,646
	9,008,446	8,682,027
NON-INTEREST EXPENSE		
Compensation and employee benefits	4,111,737	3,996,385
Office operating and occupancy	1,878,645	1,799,596
Loan servicing expense	1,101,849	1,103,329
Other office operating	948,422	913,411
Miscellaneous operating	228,078	394,490
Impairment of investment securities	19,213	49,651
Total non-interest expense	8,287,944	8,256,862
NET INCOME	\$720,502	\$425,165

Board of Directors



Rick Teixeira
Chairman



Glenn Wilcox
Vice Chairman



Jennifer Gilletti
Treasurer



Adam Smogowicz
Secretary



Gloria Gaito
Director



Neal Masia
Director



Steve Pias
Director

Supervisory Committee

John Podurgiel, Chairman

Elizabeth Algieri

Rhea Bagnell

Steve Pias

Barb Segelstein

Executive Staff

David Purcell

CLO & VP Lending

Robert T. Nealon

CFO & VP Finance

Stephen Jacoby

VP Business Development

Supervisory Committee Report

The primary responsibility of the Supervisory Committee is to serve as a means of checks and balances at the credit union. We are comprised of a group of dedicated volunteers that are appointed by the Board of Directors. It is our responsibility to ensure that Scient Federal Credit Union establishes and maintains appropriate policies, procedures, and internal controls that safeguard members' assets and privacy, and fulfill the credit union's financial and regulatory responsibilities.

There were numerous internal audits that were conducted by the Credit Union's Internal Auditor, Stephen Settino. The required annual external audit was conducted by the accounting firm of Orth, Chakler, Murnane and Company, CPAs. In addition to this external audit, we also passed the National Credit Union Administration's (NCUA) annual safety and soundness examination. The National Credit Union Administration is the independent federal agency created by the U.S. Congress to regulate, charter, and supervise federal credit unions.

We want to ensure that our 15,000+ members are happy with our products, services and staff at all times as the credit union continues to grow. We urge you to contact any member of the credit union's staff, Supervisory Committee, or Board of Directors with any comments or questions that you might have. You may also report any issues anonymously to the Supervisory Committee through the "Report It" link located on the credit union's website. You can also mail the Supervisory Committee at:

Scient Federal Credit Union
Attn: Supervisory Committee
60 Colver Ave
Groton, CT 06340

Thank you and have a great year,
John A. Podurgiel
Chair of the Supervisory Committee



Corporate Office

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Groton, CT

Groton, CT

Pfizer

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Building 220, Amenities Corridor
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New Haven, CT

Postal Employees Credit Union

50 Brewery Street
New Haven, CT

Andover, MA

Pfizer

1 Burt Road, Office F1100
Andover, MA

Cambridge, MA

Pfizer

610 Main Street
Cambridge MA

New York, NY

Pfizer

235 East 42nd Street
New York, NY

La Jolla, CA

Pfizer

10646 Science Center Drive
Building CB4, Office 1203
La Jolla, CA

San Francisco, CA

Rinat Neuroscience Corporation

230 East Grand Avenue
South San Francisco, CA

Madison, NJ

Pfizer

1 Giralda Farms
Madison, NJ

Parsippany, NJ

Pfizer

400 Webro Road
Office E312
Parsippany, NJ



Services

LOANS

Auto Loans
Marine Loans
Executive Reserve Accounts
Fixed Rate Mortgages
Adjustable Rate Mortgages
No Closing Cost Mortgages
SmartChoice Mortgages
Home Equity Loans
Home Equity Lines of Credit
Home Improvement Loans
Motorcycle and RV Loans
Reverse Mortgages
Secured Loans
Signature Loans
Student Loans
Education Loans
Visa® Credit Cards

DEPOSIT ACCOUNTS

Savings
Checking
Club
Individual Retirement Accounts
Share Certificates
Step-up Certificates
Tiered Money Market
Coverdell Education Savings Account

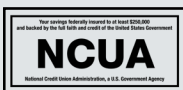
E-SERVICES

Online Banking
Online Account Opening
Direct Deposit
eStatements
Bill Pay
Mobile Banking
Phone Banking
External Transfers

OTHER

Financial Planning
Foreign Currency
Free Notary Service
Signature Guarantee
Visa® Debit Cards
Insurance Services
Special Member Discounts
Skip a Pay
Financial Wellness
Co-op® Shared Branching

www.scientfcu.org



Federally insured by NCUA

