

Driving Innovation

2013
ANNUAL
REPORT

www.scientfcu.org

With you at
every phase®

This credit union is federally insured by
the National Credit Union Administration.



SCIENT
Federal Credit Union®

Suite of 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
- Visa® Credit Cards

Deposit Accounts

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

eServices

- Online Banking
- Online Account Opening
- Direct Deposit
- eStatements
- Bill Pay
- Mobile Banking
- Wealth Management

Other

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



Locations



Corporate Office

60 Colver Avenue
Groton, CT

Groton, CT Pfizer

445 Eastern Point Road
Building 220
Amenities Corridor
Groton, 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

46th Annual Meeting

May 22, 2014

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President & CEO Report



As I started writing my annual report, I was struck by how exciting it is to be a part of Scient Federal Credit Union, both as a member and employee, and what a bright future is ahead of us. I am proud of the accomplishments and the progress our credit union made in 2013, much of which is represented by our annual meeting theme of "Driving Innovation." "Driving Innovation" means that we refuse to sit back and remain satisfied with the status quo—that we constantly look for ways to improve the member experience through the adoption of new technology, convenient services, and products that make our members' lives easier. And certainly 2013 was full of innovation.

One of our major goals every year is to make it more convenient for our members to do your banking, no matter where you live or where you may be traveling. Our members across the nation have 24/7 access to your Scient accounts at over 30,000 fee-free ATMs through the CO-OP network, at over 5,000 nationwide branch locations through the shared branch network, through free online banking, and through mobile banking, which Scient released in 2013. When you are anywhere in the world, you can effortlessly transfer funds, pay bills, and more from your Android or iPhone device anytime, anywhere. Now that's convenience!

Scient also expanded member accessibility through our Workplace Banking program at Pfizer and other select employer group locations. In 2013, we installed a deposit-taking ATM at Pfizer Headquarters in Manhattan, NY, where we also maintain a schedule of regular on-site visits. 2014 has already started off strong with the installation of new deposit-taking ATMs at locations in South San Francisco, CA, Madison, NJ, and Cambridge, MA.

Additionally, we completely updated our website to one that is much more user-friendly and packed full of helpful information for our membership. Our website is now a one-stop-shop where you can open new deposit accounts, apply for loans, check rates, or simply learn more about Scient's services. These implementations make it much easier for you, our members, to do your banking hassle-free and at a time that is convenient for your schedule.

Staff Members

Genoveva Balestra	Chrystal Lurette
Susan Carling	Dominic Manzano
John Connor	Chris Maynard
Tamara Goode	Karie McMahon
Kathleen Destefano	Rachel Morales
Whitney Dunning	Etta Gay Nelson
Meaghan Durocher	Tony Orsini
Sara Eaton	Bob Pepe
Brenna Fulton	Rachel Pierce
Jennifer Furlong	Jacqueline Porazzi
Amanda Geer	Karen Rugh
Irvine Hagewood	Stephen Settino
Melissa Heaton	Pratima Shah
Shana Heon	Faith Silva
Allison Hoffman	Beth Small
Meghan Hopkins	Wendy Staskivitch
Izzy Hudson	Alisha Sylvestre-Payne
Stephen Jacoby	Scott Varga
Cynthia LaFlamme	Sean Vargo
Bonnie LaGanga	Stacy Viegas
Tarrah Little	Wendy Wade
Lynne Long	Kristin Wall
Deborah Loomis	Tina Waterman
Sara Lundy	

Board of Directors

Rick Teixeira	Chairman of the Board
Glenn Wilcox	Vice Chairman
Jennifer Gilletti	Treasurer
Adam Smogowicz	Secretary
Gloria Gaito	Director
Neal Masia	Director
Steve Pias	Director

Supervisory Committee

Cynthia Stadler
John Podurgial
Steve Pias
Barb Segelstein

Executive Staff

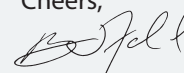
Bruce J. Fafard	President & CEO
Robert T. Nealon	CFO & VP Finance
Cheryl Dunaj	VP Retail Services
David Purcell	CLO & VP Lending
Asaf Carmeli	VP Human Resources

Along with these developments, Scient remains vigilant in protecting member information through our internal controls and innovative strategic partners. PSCU (Payment Systems for Credit Unions) handles our credit and debit card processing and does an outstanding job of being proactive and catching fraudulent transactions on our members' accounts. Their efficiency allows us to immediately alert you of suspicious activity on your account, reducing possible damage caused by fraud. ACI Worldwide is another partner that protects member information through our online banking. In 2013, ACI further enhanced online safety by implementing additional security and authentication to the online banking platform. Security Compliance Associates evaluates these products and the rest of our security program to ensure the proper protection of member data by performing both internal and external testing on an annual basis. These are just a few examples of the many steps we proactively take to ensure your personal information is protected at Scient Federal Credit Union.

Financially, Scient was able to fund over \$45 million in mortgage and home equity loans in 2013, making home ownership a reality for many members. We also financed \$51.8 million in car loans through our auto lending program. This program allows members to visit one of the many Connecticut dealerships we have partnerships with and apply for a Scient car loan right at the dealership; often driving home in their new vehicle that very same day! Members are also able to apply online or be pre-approved at a branch before going to the dealership to make the process faster and easier. This is another example of how we always look for new solutions and different options to fit your unique needs.

While 2013 was certainly a year of innovation and change, our dedication to delivering unparalleled member service remains the same. Our priority is first and foremost to provide you with a financially sound and stable credit union that you can trust with your financial future. Scient Federal Credit Union is in a strong position to continue growing membership, funding loans to help you attain your financial goals, and providing you with tools to easily manage your funds. I want to thank you for your lasting support—we look forward to making 2014 even better!

Cheers,



Bruce J. Fafard
President & CEO

Chairman of the Board Report



As I look back at Scient Federal Credit Union's accomplishments in 2013, I am excited to see the positive changes that have been implemented to make banking easier for you, our members. Each decision Scient makes is with your needs and wants in mind.

We recognize that every year your lives are getting busier and you need a credit union that keeps up with technological advancements and convenient services. Mobile banking, online account opening, and our new website were all developed in 2013 with that in mind. Mobile banking allows members everywhere to conveniently access your accounts through your phone, while online account opening provides the freedom to open new deposit accounts online in just a few clicks. Our restructured website now delivers a wealth of information on our products and services, free access to Financial Wellness programs, loan calculators, and many other financial tools and tips.

Your credit union also created a Business Development team to expand Scient's presence in the life science industry and give us the ability to serve more members. Our Business Development team acquired five select employee groups (SEGs) in the life science field in 2013 and has already partnered with two in 2014. With the addition of these new SEGs (Pharmatek, Biocom, Rinat, Alacer Corp and Pfizer-Madison, NJ) Scient now has the opportunity to further expand our field of membership.

We are extremely fortunate to have a dedicated team serving our membership, so I'd like to take this opportunity to thank each Scient Federal Credit Union employee. I'd also like to thank the Board for their time and efforts. Most importantly, my thanks go to our members for trusting Scient as your credit union. You are the reason we're here, working to create a better credit union, year after year.

Best Regards,

Rick Teixeira
Chairman of the Board

Statement of Income

		2013	2012
INTEREST INCOME	Loans to members	\$8,792,412	\$9,025,000
	Investments	359,616	569,688
	Total interest income	9,152,028	9,594,688
INTEREST EXPENSE	Members' share & savings accounts	1,362,708	1,562,711
	Borrowed funds	41,473	1,667
	Total interest expense	1,404,181	1,564,378
	Net interest income	7,747,847	8,030,310
PROVISION FOR LOAN LOSSES		1,318,466	1,148,147
	Net interest income after provision for loan losses	6,429,381	6,882,163
NON-INTEREST INCOME	Miscellaneous operating income	1,124,105	1,016,790
	Fees & service charges	588,981	488,034
	Gain on sale of loans, net	539,560	895,373
	Total non-interest income	2,252,646	2,400,197
		8,682,027	9,282,360
NON-INTEREST EXPENSE	Compensation & employee benefits	3,996,385	3,903,522
	Office operating & occupancy	1,799,596	1,739,123
	Other office operating	913,411	1,088,390
	Loan service expense	1,103,329	980,191
	Miscellaneous operating	394,490	608,815
	Impairment of investment securities	49,651	244,632
	Total non-interest expense	8,256,862	8,564,673
	Net income	\$425,165	\$717,687



Statement of Financial Condition

	2013	2012
ASSETS		
Cash & cash equivalents	\$7,537,671	\$5,155,043
Investments		
Available-for-sale	8,925,389	606,490
Held-to-maturity	1,934,982	3,970,498
Trading	1,402,115	—
Other	3,903,724	33,761,565
Loans to members, net of allowance for loan losses	196,209,459	166,487,164
Accrued interest receivable		
Investments	28,448	29,943
Loans	696,060	751,623
Prepaid & other assets	1,209,082	943,021
Property & equipment	3,296,750	3,528,031
NCUSIF deposit	1,943,996	1,984,383
Total assets	227,087,676	217,217,761
LIABILITIES		
Members' share & savings accounts	194,959,283	197,133,194
Borrowed Funds	12,000,000	—
Accounts payable & accrued liabilities	1,536,691	2,165,134
Total liabilities	208,495,974	199,298,328
MEMBER EQUITY		
Regular reserve	1,582,525	1,582,525
Undivided earnings	17,702,414	17,277,249
Accumulated other comprehensive loss	(693,237)	(940,341)
Total members' equity	18,591,702	17,919,433
Total liabilities & members' equity	\$227,087,676	\$217,217,761

Treasurer's Report



2013 was a year of challenge as the economy struggled to grow with limited real personal income and employment gains throughout the country. However, Scient was able to continue our momentum offering services to a wider pool of members while maintaining our priority to operate in a safe and sound manner.

Loans outstanding to members at December 31, 2013 were \$198 million, a record year end amount! Scient also services \$52 million of member loans that we sold to the Federal Home Loan Bank and the Federal National Mortgage Association. This allows the credit union to fund more mortgages for members while retaining these member relationships by continuing to take payments and service the loans. Both loans on the books and the portfolios serviced increased 18% over the comparable 2012 year end balances. For the fifth consecutive year the credit union was solidly profitable, generating net earnings of \$425,000 which increased net worth, undivided earnings, and regular reserves to over \$19.3 million, another year end record amount. Scient continues to meet all capital adequacy requirements to which we are regulatory subject and continues to be categorized as "well capitalized." Our capital ratio, net worth as a percent of assets, was 8.49% at the end of the year.

This strong performance was based on over \$111 million in loans and lines of credit being extended to our members during 2013, including \$45 million in mortgage and home equity originations. \$57 million in car loans was provided to members, and the year-end loan to share ratio was 101%, which is far above the industry average of 70.8%.

The credit union was able to achieve flexibility to manage liquidity needs and the loan portfolio mix with sales from our loan portfolio during the year. Select sales of longer term mortgages also allowed Scient to limit our long term exposure to interest rate increases in the future. As a result, secondary market mortgage sales totaling \$14 million (20% of our portfolio) were arranged, resulting in gains on sales of \$411 thousand. Sales of \$10.5 million indirect loans (14% of our portfolio) were also arranged during the year, resulting in a net income of \$128 thousand. These sales give Scient the ability to continue lending to more members while increasing our net income and maintaining financial stability.

2013 was a highly successful year and we look forward to continuing that momentum in 2014. Once again, 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,

Jennifer Gilletti
Jennifer Gilletti
Treasurer

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 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.

2014 included numerous internal audits as well as an external audit conducted by the Accounting firm of Orth, Chakler, Murnane and Company, CPAs. In addition, we also passed the National Credit Union Administration (NCUA) and Bank Secrecy Act external audits. 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. We urge you to contact any member of the credit union's staff, management, or board with any comments, questions, or concerns that you might have. You may also contact the Supervisory Committee through the "Report It" link located on the Credit Union website or by mail to:

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

John A. Podurgiel
Chair of the Supervisory Committee



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