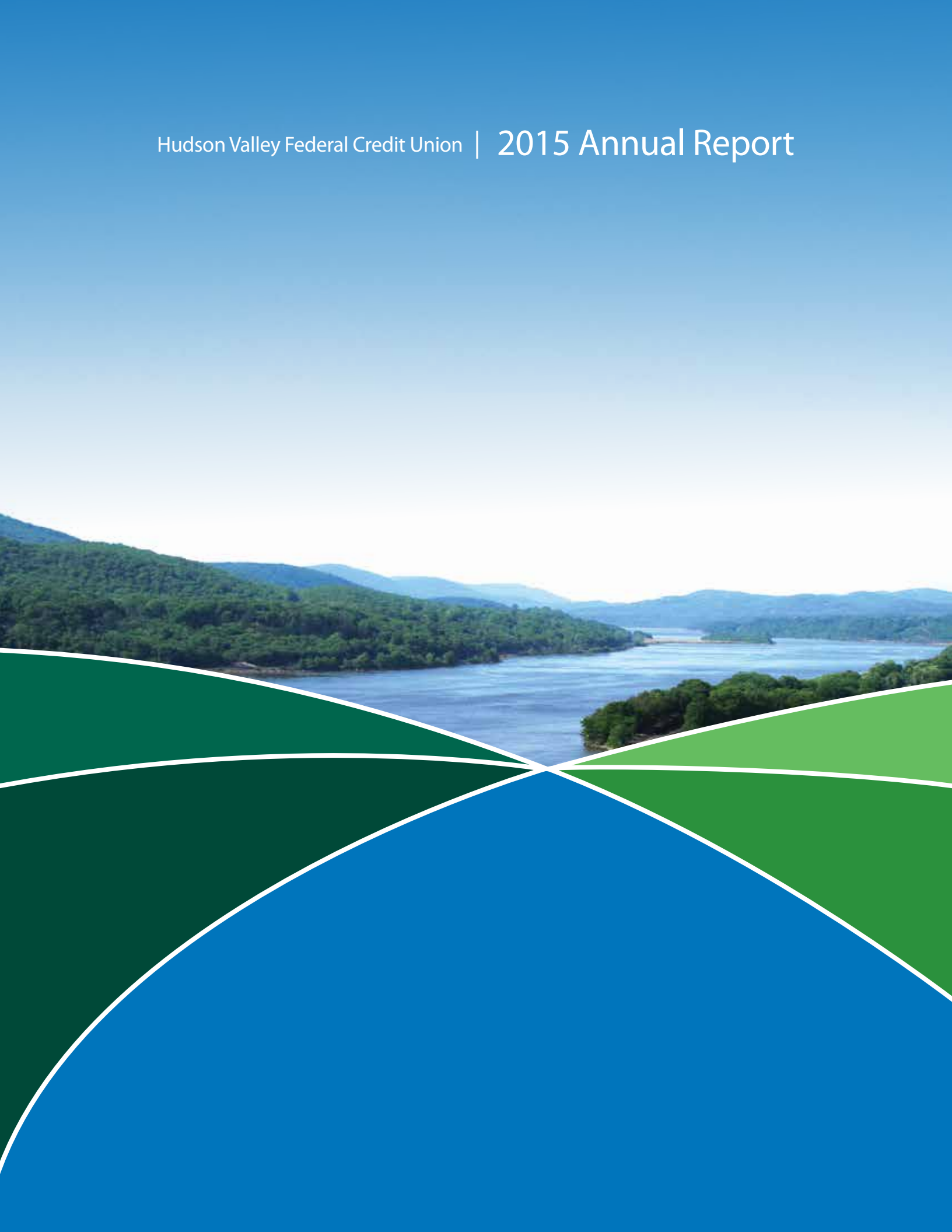
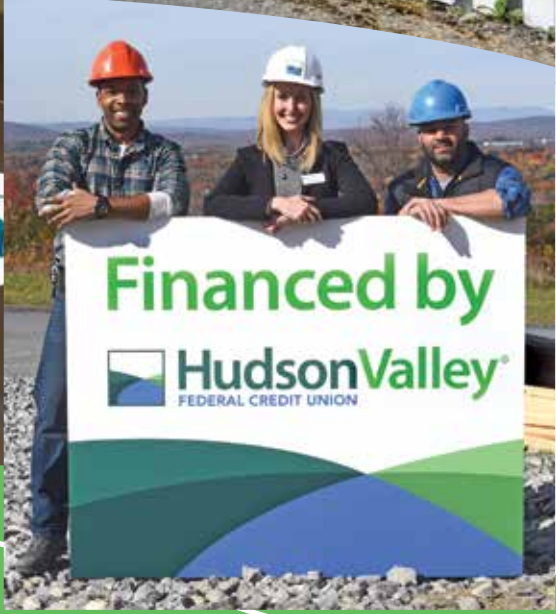


Hudson Valley Federal Credit Union | 2015 Annual Report





There's a Reason
People Bank Here.

Chairman and President's Message



Noreen Hennessy
Chairman



Mary Madden
President & CEO

This past year was a remarkable one for Hudson Valley Federal Credit Union. Much of 2015 was dedicated to positioning our organization for long-term growth and success. Even though they served us well, HVFCU's brand and computer system had remained the same for nearly 20 years, despite our growth to a more than \$4 billion cooperative serving over a quarter million individuals and businesses. Making these important changes was a daunting task, but our staff still maintained their dedication to serving you, which resulted in another year of high member satisfaction. In fact, 96% of you told us you were satisfied or highly satisfied. Just recently, HVFCU was cited in a Consumer Reports national survey of banks and credit unions, scoring a 91% satisfaction which was among the highest for all types of institutions.

Community is at our core

One way we positioned HVFCU for future success was with a new brand. After extensive research revealed that our members and community truly see us as a trusted financial advisor, our goal was to create a new logo that more accurately represented HVFCU's strong ties to our community.

Since the creation of our former logo, the diversity in our offerings, our membership, and our entire community has changed tremendously. Unveiled in May, our new logo along with the message "There's a Reason People Bank Here," better reflects who HVFCU is today – a premier institution offering all types of solutions for the financial well-being of our members, businesses, and community. The response we received was overwhelmingly positive.

Efficiencies to reach new heights

Updating our infrastructure to a new core computer system was an absolute necessity if we are to continue providing members with the products and services you expect from a modern financial institution. Some benefits of the system are easily seen, such as members' ability to now get an immediate response when applying for a consumer loan. If you're shopping for a new car at a participating dealer, you can easily apply for a loan any day - even Sundays and holidays—and know instantly how much you're approved to finance. If you apply online for a loan, you can also now track your application throughout the process. On the deposit side, each account now has an ACH number, making it easier to set up direct deposit to accounts other than your checking. Overall, the new system has made us more efficient and effective, thereby allowing us to manage our financial cooperative even more economically. When you see new products or service changes in the future that make it easier to do business with us, it's likely due to the functionality and flexibility of this new system.

Other improvements

Along with those two major projects, HVFCU also implemented several much-anticipated improvements, including:

- **EMV credit cards**, or "chip cards" as they're commonly called, debuted. These are the new global standard for card payments that add a state of the art layer of protection to your cards. EMV debit cards will debut in 2016.
- **Apple Pay** launched in December, offering members another secure payment option for their various Apple devices.
- **A new Fishkill Branch** – larger and easier to access - opened at 6 Schuyler Drive, just north of our previous location.

Spreading the word

We asked members to join us this past year on a journey of change, and we appreciate your patience as we made these changes to better serve you. We hope you agree that there is a reason people bank here. It's more than just our competitive products and affordable services; it's because we are always driven to be your trusted financial advisor. HVFCU ended 2015 financially strong and secure, and well prepared to serve you, your family, your business, and future generations for many years to come. Thank you for your loyalty while we made these much-needed enhancements for you. We're confident the more you turn to HVFCU for all your financial needs, the more you will reap the benefits of membership. Most importantly, thank you for your continued membership and for sharing the good news of credit union membership with your friends and family.

Noreen Hennessy
Chairman

Mary D. Madden
President and CEO



The credit union's 2015 financial reports reflect a solid performance. Our continued emphasis on providing members with competitive products and services resulted in strong increases to both deposits (\$210

million, 5.9%) and loans (\$149 million, 6.9%). We ended the year a \$4.2 billion financial institution, which represented a 5.1% growth in total assets. Our strength and stability is represented in our regulatory capital measure, which grew to 10.29% in 2015, our highest level in five years.

Overall, the U.S. economy continues to gain strength relative to much of the world as many economic indicators have improved. While the national unemployment rate ended 2015 at 5%, local unemployment rates in our field of membership's four counties are each below that level. Consumer's increasing confidence can be seen in our strong auto and mortgage lending, the latter of which was up 24% over 2014. The introduction this year of

Key Measurements

	2015	2014	% Growth
Total Assets	\$4.249 B	\$4.044 B	5.1%
Member Savings	\$3.798 B	\$3.588 B	5.9%
Member Loans	\$2.319 B	\$2.170 B	6.9%
Member Growth	262,722	292,530*	-10.2%

Net Worth at the end of 2015 was 10.29% of Total Assets.

B=Billions

*Calculation included duplicate memberships

Supervisory Committee Report

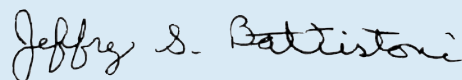


Every federal credit union is required to have a Supervisory Committee which performs two basic functions. The Committee must ensure that the Board of Directors and management meet required financial reporting objectives and that they have

established practices and procedures sufficient to safeguard members' assets. At HVFCU, the Supervisory Committee is comprised of five voting members and three associate members – all volunteers from among our membership. We oversee the Internal Audit Department as well as the performance of audits and the preparation of financial statements by external auditors.

We are pleased to report that the accounting firm of CliftonLarsonAllen performed an audit of our financial statements which resulted in an unqualified opinion. The National Credit Union Administration's annual exam also found no areas of concern.

The Supervisory Committee is available to members should you have concerns. On behalf of my fellow volunteers on the Committee, we appreciate your continued active membership, which helps to keep our credit union one of the strongest financial institutions in our community.



Jeffrey S. Battistoni
Supervisory Committee Chairman

leasing through our local dealer network has been very well-received; 12% of the total number of loans through our dealers were leases in 2015.

Despite positive signs in our economy, many uncertainties at home and abroad exist. We are confident that HVFCU is well positioned to withstand the effects of countless financial scenarios, as well as poised to seize opportunities that present themselves in the future. I feel very fortunate to serve as your Treasurer and to work with a team of volunteers and professionals who are committed to providing our member-owners with the affordable, secure products you deserve to achieve your personal financial goals. I look forward to continuing our work to provide you the highest value possible.



Nancy Kappler-Foster
Treasurer

Annual Meeting

Tuesday, April 26 | 7:00 pm | Anthony's Pier 9 | 2975 Route 9W, New Windsor

This year's Annual Meeting will be held in Orange County for the first time at Anthony's Pier 9 in New Windsor. As announced at last year's event, Annual Meetings will now be standard business meetings with a review of the state of the credit union. There will be no guest speaker, gifts, refreshments, or raffles.

To ensure the safety of our members, volunteers, and staff, everyone attending the meeting will be required to pass through a security check-point. Potentially hazardous items (such as pocket-knives or weapons) will be held by security personnel during the Meeting or you will be asked to return them to your vehicle.

Consolidated Statement of Financial Condition

	<i>December 31,</i>	
	2015	2014
ASSETS		
Cash and cash equivalents	\$163,129,215	\$160,330,808
Investments	1,620,220,732	1,582,785,230
Loans to members:		
Real estate loans	534,887,023	535,191,364
Consumer loans	1,445,321,324	1,282,719,242
Member business loans	338,917,132	351,864,454
Total Loans to Members	2,319,125,479	2,169,775,060
Allowance for loan losses	(27,750,114)	(27,458,070)
Accrued interest receivable	10,447,605	10,167,152
Prepaid expenses	2,375,036	2,501,053
Property and equipment, net	79,160,393	60,914,929
NCUSIF deposit.....	34,508,415	32,023,388
Other assets	48,268,779	53,377,470
Total Assets	\$4,249,485,540	\$4,044,417,020
LIABILITIES AND MEMBERS' EQUITY		
Members' savings accounts		
Regular savings	\$846,425,831	\$730,677,823
Checking	506,923,377	438,910,163
Money market	783,325,729	748,923,989
IRAs	240,173,317	235,285,920
Certificate accounts.....	1,085,342,214	1,053,620,845
Business accounts.....	335,702,635	380,900,724
Total Members' Savings Accounts	3,797,893,103	3,588,319,464
Borrowed funds	0	35,000,000
Accrued expenses and other liabilities	27,750,304	27,701,458
Total Liabilities and Savings	3,825,643,407	3,651,020,922
Members' equity, substantially restricted.....	423,842,133	393,396,098
Total Liabilities and Members' Equity	\$4,249,485,540	\$4,044,417,020

Consolidated Statement of Income

Years Ended December 31,

Interest income

Loans	\$118,227,854	\$109,183,279
Investments	29,354,682	28,159,337
Total interest income	147,582,536	137,342,616

Interest expense

Members' savings accounts	25,352,137	21,079,594
Borrowed funds	46,761	361,721
Total interest expense	25,398,898	21,441,315

Net interest income	122,183,638	115,901,301
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Provision for loan losses	20,136,787	20,767,829
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Net interest income after provision for loan losses	102,046,851	95,133,472
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Non-interest income

Gain on sale of assets	6,729,934	2,655,205
HVFCU Financial Services income	4,030,819	3,946,538
HVFCU Insurance Agency income	567,277	510,214
Other	34,787,746	33,147,748
Total non-interest income	46,115,776	40,259,705

Non-interest expenses

Compensation	36,099,240	36,400,326
Office operations	23,733,077	20,726,872
Loan servicing	18,696,600	15,686,474
Employee benefits	12,924,099	12,355,534
Office occupancy	6,768,757	6,704,391
Marketing	3,558,196	2,997,218
Professional and outside services	3,008,585	2,807,971
Travel, conferences and training	464,936	556,871
Federal operating fee	360,428	352,821
Miscellaneous	318,600	289,638
Association dues	312,029	293,714
Members' insurance	216,549	269,283
Annual meeting/election	175,701	191,345
Directors/volunteers expense	152,187	96,272
Cash over and short	7,075	22,719
Total non-interest expenses	106,796,059	99,751,449

Net income	\$41,366,568	\$35,641,728
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2015 Board of Directors

Noreen Hennessy, Chairman
Takao Inouye, 1st Vice Chairman
Joseph E. Eppich, 2nd Vice Chairman
Nancy Kappler-Foster, Treasurer
David S. Bagley, Assistant Treasurer
William L. Spearman, Secretary
Stephen M. Caswell, Director
Misty V. Decker, Director
Henry J. Rodgers, Jr., Director



Director Emeritus

Jan Mahar Sturdevant

Senior Management

Mary D. Madden, President and Chief Executive Officer
Anton L. Rohrmeier, Executive Vice President and Chief Operations Officer
Scott VanZandt, Chief Financial Officer
Diane M. Allenbaugh, Vice President, Human Resources and Organizational Development
Sandra R. Ludlum, Vice President, Branch Administration and Contact Center
Chelen L. Reyes, Vice President, Retail Delivery and Marketing
Herb White, Vice President, Lending

Committees

ASSET LIABILITY MANAGEMENT

Nancy Kappler-Foster, Chair
David S. Bagley
Mary D. Madden
John Pecchia
William L. Spearman
Scott VanZandt

COMPENSATION & BENEFITS

Takao Inouye, Chair
Steven M. Caswell
Lauren Gillett
Noreen Hennessy
Sharon McGinnis

NOMINATING

Dr. Lynn R. Fielitz, Chair
Paul Anderson
Cynthia Lowe
Julieta Majak
William L. Spearman

POLICY & GOVERNANCE

Misty V. Decker, Chair
Joseph E. Eppich
Nancy Kappler-Foster
Christopher D. Wyble
Michael J. Young

SUPERVISORY

Jeffrey S. Battistoni, Chair
William J. Mulvey, Secretary
Carlos L. Acosta, Member
Kathleen Dispensa, Member
John Hogan, Member
Tuknekah Noble, Associate Member
Elinor Speckman, Associate Member
Daniel F. Thomas, Associate Member

CUSERVE BOARD OF DIRECTORS

(a wholly owned subsidiary of Hudson Valley Federal Credit Union)
Andrea J. Mannix, Chair
Henry J. Rodgers, Jr., Vice Chair
Mary D. Madden, Secretary/Treasurer
Joseph Lepore, Director
Richard J. Trocino, Director