

## BOARD CHAIRPERSON STEVE'S REPORT

We have experienced another successful year by emphasizing great member service. We have been focusing on "People First, Not Profit", but the two seem to go hand in hand. MVFCU continues to grow and has better comparisons with our credit union peers on many levels. Our staff is dedicated to providing our members with the best products and services possible while maintaining the financial health and stability of the credit union. This focus has allowed the credit union to grow in financial strength and membership by providing a strong base for the future. The board of directors and the supervisory committee volunteers are knowledgeable and dedicated to providing the membership with a strong, viable, and growing credit union. We do our best to represent our members.

## PRESIDENT / CEO NICK'S REPORT

2014 was another extraordinarily good year for your credit union. We set all-time highs in members, deposits, loans, equity and net income. We were pleased when MVFCU was voted Mankato's 1st Best Bank for 2013 and 2nd Best for 2014 by Free Press readers. We rolled out more improved services and technology in 2014 and 2015. Perhaps the most interesting and useful in 2014 was mobile phone remote deposit capture (take a picture of the check and upload to your account).

As we all know, starting back in 2008, the USA struggled through economically challenging years, though improvement trends clearly continue, in part, because of abnormally low interest rates. Locally, we've fared much better than most. Unemployment in Minnesota was 7.3% at 12/31/09, now down to 2.7% at 12/31/14; Blue Earth County from 6.0% to 2.7%. The number of unemployed workers in the Greater Mankato MSA decreased from 3,472 to 1,594 between 2009 and 2014. According to CUNA (Credit Union National Association), the steady economic recovery will continue with predictions of GDP growth of 3.25% in 2015, inflation of 2.00%, unemployment of 5.25%, and yield curve flattening as short term rates rise faster than long term rates (10 year Treasury reaching 2.50%).

By year end 2014, we reached all-time record highs again in total assets (\$107.4 million), deposits (\$96.8 million), loans (\$66.3 million), member-owned capital (\$10.3 million = 9.56% of assets), members (11,716) and net income (\$1.23 million). Our gross operating expenses, as a percentage of average assets, continues to decline, which is a measure of operational efficiency: 5.00% in 2000, now 3.04% in 2014 versus peer of 3.66%. Our yield on average loans continues to be less than the national average (4.80% vs. 5.11%, great for borrowers) and on the fee side, we netted 0.43% of average assets vs. peer of 0.88%, so we fee less (great for transaction oriented members). Our cost of funds were equal to peers (good for savers). We do realize that with prolonged low market interest rates, it's wonderful for borrowers, but not rewarding for savers. Market rates still hover near all-time lows. Today, a 1-year Treasury pays 0.24% and a 5-year Treasury pays 1.50%. Fed

Funds trade at 0.12%. On the flip side, the stock market has been bullish for a few years now with the Dow moving from a low of 7,700 March 2009 to 16,000 March 2014 and 17,500 March 2015. Prime is still 3.25%.

Over the past ten years, member owned capital has grown an average 10.93%, deposits 9.76%, loans 9.38%, membership 4.26%, investments 13.39%, with delinquency + charge offs 1.21% of loans (USA average 1.94%), and return on assets 0.88% (USA average 0.42%). These are very solid, balanced, decade-long results and consistently outshine the national peer averages (credit unions \$100 to \$500 million in assets). We continue to earn the highest safety & soundness grades from NCUA, CPAs, CUNA Mutual and others like Bauer and Weiss.

Net loan growth in 2014 was down from last year's 12.67% to 8.32% for the year compared to the peer average of 8.01%. Net deposit growth in 2014 was positive 8.55% compared to the peer average of 3.88%. Net capital growth in 2014 was positive 13.66% compared to the peer average of 6.50%. In 2014, we made 2,152 installment loans which totaled \$21.4M in total disbursements (compared to 2,117 and 23.1M in 2013). When we include all lines of credit, disbursements totaled a substantial \$44.5M (compared to \$51.3M in 2013). MVFCU originated a record 177 first mortgages in 2012, 160 in 2013, and 97 in 2014 (refinance activity slowed but purchases increased). In addition, we service \$36 million (250 loans) in first mortgages we've sold to the FHLB/Fannie Mae.

At 12/31/14, MVFCU had 11,716 members. We opened 1,180 new memberships (closed 745, for a net gain of 435 members). There are 6,200 checking accounts, 6,613 Visa debit cards, 2,002 Visa credit cards, 5,218 active online banking users, and 1,054 active mobile banking users. Members used their debit cards over 1 million times in 2014. Credit Union members performed 2,101 shared branch service transactions both here and away. Here, members hold 23,246 savings and 7,018 active loan accounts. At year end we had 23 full time and 5 part time employees to serve you. **Please let us know anytime how we might serve you better. Thanks!**

## BOARD TREASURER GEORGE'S REPORT

MVFCU remains on a very steady course and growing. Each month, and often in the interim, management and the board treasurer convene for the Asset-Liability Committee meeting. Our focus is diverse and includes closely controlling the net interest rate margin, budgeting, measuring and forecasting.

## SUPERVISORY COMMITTEE TIM'S REPORT

The Supervisory Committee (SC) volunteers evaluate management decisions, finances, internal controls and operations in cooperation with the federal government agency-National Credit Union Administration (NCUA), CPAs-CliftonLarsonAllen, and our two internal auditors. In 2014, the SC reviewed 333 loan files. Additionally, we review all new and closed accounts as well as the Internal Auditors' reports. Our confidential Mankato Post Office Box is 4126. Please feel free to write to us about any concern you have.



Serving Blue Earth, Nicollet & Le Sueur Counties

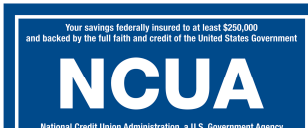
## Local Trusted Banking

# 80th ANNUAL MEETING APRIL 28, 2015

Low Loan Rates  
High Savings Rates  
Low or No Fees  
High Quality Service



## It Pays to Bank Where You're Part Owner!



# MVFCU VISION STATEMENT

*EARNING MEMBER LOYALTY AND  
COMMUNITY APPRECIATION*

## MVFCU MISSION STATEMENT

*TO EXCEED THE EXPECTATIONS OF OUR MEMBER -  
OWNERS AND BECOME THEIR MOST VALUED AND  
TRUSTED FINANCIAL INSTITUTION, ALWAYS IN  
KEEPING WITH THE COOPERATIVE PRINCIPLES.*

## MVFCU OPERATING STATEMENT

*TELL US WHAT YOU WANT.  
WE LISTEN, THEN DELIVER.*

## BUSINESS MEETING AGENDA

6:30 PM Call To Order.....Steve Erdman  
Proof Of Notice Of Meeting.....Sandra Eggert  
Declaration Of A Quorum.....Sandra Eggert  
2014 Minutes.....Sandra Eggert  
Close Election/Select Ballot Judge...Sandra Eggert  
Report Of Nominating Committee.....George Patchin  
Additions/Changes To Agenda.....Steve Erdman  
Report Of Directors.....Steve Erdman  
Report Of President.....Nick Meyer  
Employee Introductions.....Nick Meyer  
Report Of Treasurer.....George Patchin  
Report Of Supervisory Committee....Timothy Madsen  
**Guest Speaker.....\*GMG**

### Open Discussion Time

Member attendees are sincerely encouraged to share comments, concerns, and ideas. Tell us what you want. It's your credit union.

### New Business

Scholarship Presentation.....Ben Suker  
Board Election Results.....Steve Erdman  
Introduction Of 2015 Directors.....Steve Erdman  
Door Prize Drawings.....Ben Suker

**\*Guest Speaker from Greater Mankato Growth  
(GMG)/Visit Mankato/City Center Partnership**

**THANK YOU FOR ANOTHER  
GREAT YEAR!!!**

# STATEMENT OF FINANCIAL CONDITION

## Income Statements

	12/31/2014	12/31/2013
Interest on Loans	3,066,954	2,842,168
Income from Investments	462,773	459,588
Other Operating Income	1,284,140	1,379,016
<b>TOTAL GROSS INCOME</b>	<b>\$4,813,867</b>	<b>\$4,680,772</b>
Employee Compensation & Benefits	1,353,617	1,337,580
Travel & Conference Expense	45,428	44,745
Association Dues	85,227	77,750
Office Occupancy Expense	142,064	143,269
Office Operations Expense	851,150	763,258
Education & Promotion Expense	138,914	125,371
Loan Servicing Expense	286,836	328,948
Professional & Outside Services	190,982	171,117
Provision for Loan Losses	102,657	108,487
Member Insurance	6,847	6,900
NCUA Operating Fees	15,498	21,598
Interest on Borrowed Money	20	88
Membership Meeting Expense	6,369	6,863
Miscellaneous Operating Expense	1,952	2,487
<b>TOTAL OPERATING EXPENSES</b>	<b>\$3,124,885</b>	<b>\$3,029,887</b>
Dividends Paid to Members	359,901	343,372
Other Non-Operating Income	7,356	2,132
Pre Net Income	1,233,759	1,201,071
NCUA Recapitalization Expense	0	(69,004)
Post Net Income	<b>\$1,233,759</b>	<b>\$1,132,067</b>

## Board Members

Steve Erdman, Chair  
John Vickers, Vice Chair  
Sandra Eggert, Secretary  
George Patchin, Treasurer  
Harold "Sandy" Bartlett  
Connie Gullixson  
Mike Smith

## Management

Nick Meyer, President / CEO  
Trent Talle, VP Lending  
Trinette Risting, Operations Manager  
Ben Suker, Development Manager  
Dean Wellner, Mortgage Supervisor

## Supervisory Committee

Timothy Madsen, Chair  
Merlyn Bruns  
William Montag  
John Schwertfeger  
Brenda Simpson  
NCUA: Federal Examiners  
CPA: CliftonLarsonAllen

## Internal Auditors

Ben Suker  
Lindsey Anderson

## Balance Sheets

	12/31/2014	12/31/2013
<b>Assets</b>		
Loans	66,341,421	61,248,009
Allowance for Loan Loss	(324,607)	(295,748)
Short-Term Liquidity	1,054,813	1,213,503
Corporate CU Investments	606,747	2,351,722
Other Investments (mainly CDs)	36,008,755	30,024,683
Building & Land	856,560	897,783
Fixed Assets	352,457	343,278
Other Assets	1,555,948	1,875,691
NCUSIF Deposit	935,487	862,549
<b>TOTAL ASSETS</b>	<b>\$107,387,581</b>	<b>\$98,521,471</b>
<b>Liabilities &amp; Capital</b>		
Member Savings & certificates	96,833,809	89,208,153
Accounts Payable	264,042	247,249
Dividends Payable	27,310	37,408
Member Capital	10,262,419	9,028,660
<b>TOTAL LIAB. &amp; CAPITAL</b>	<b>\$107,387,581</b>	<b>\$98,521,471</b>

## Statements of Equity/Loans/Shares

	12/31/2014	12/31/2013
Beginning Capital	8,026,178	6,894,112
Regular Reserve	1,002,482	1,002,481
Net Income	1,233,759	1,132,067
<b>TOTAL CAPITAL</b>	<b>\$10,262,419</b>	<b>\$9,028,660</b>
Vehicle Loans	25,316,786	23,794,603
Consumer Loans	8,177,921	7,187,985
Real Estate Loans	29,327,707	26,713,271
Unsecured Loans	3,519,007	3,552,150
<b>TOTAL LOANS</b>	<b>\$66,341,421</b>	<b>\$61,248,009</b>
Primary Share	21,617,669	19,624,551
Money Market	44,042,984	40,085,693
Share Certificatess	9,106,264	10,085,233
Checking	18,586,087	16,129,066
IRAs	3,480,805	3,283,611
<b>TOTAL SHARES</b>	<b>\$96,833,809</b>	<b>\$89,208,154</b>
<b>NET LOAN CHARGE-OFFS</b>	<b>\$66,707</b>	<b>\$71,702</b>
<b>NUMBER OF MEMBERS</b>	<b>11,716</b>	<b>11,281</b>
<b>NET CAPITAL/ASSETS</b>	<b>9.55%</b>	<b>9.16%</b>
<b>RETURN ON CAPITAL</b>	<b>12.79%</b>	<b>13.38%</b>

