

BOARD CHAIRPERSON STEVE'S REPORT

We have experienced another successful year by emphasizing great member service. We were pleased and humbled when MVFCU was voted Mankato's 1st Best Bank for 2013 and 2015 (2nd Best for 2014) and now again Mankato's 1st Best Bank for 2016 by Free Press Readers. The credit union continues to grow and has better comparisons than our 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, 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 and viable credit union. Tell us what you want. We listen. Then deliver.

PRESIDENT / CEO NICK'S REPORT

The year 2016 was another solid one. We set all-time highs in members, deposits, loans, and member owned equity. We were pleased when MVFCU was again voted Greater Mankato's #1 Best Bank or Credit Union for 2016 (as we were in 2015 and 2013 ((2nd Best for 2014)) by Free Press readers. We rolled out more improved services and technology in 2016 and will in 2017. We closed a record 217 first mortgage loans in 2016. We paid a \$60,000 Co-op patronage dividend in January 2016 for 2015 and \$80,000 in December 2016 for 2016. Our intent is to pay a Co-op patronage Dividend every year.

Unemployment in Minnesota was 7.3% at 12/31/09 and now down to 3.2% at 12/31/16; Blue Earth County from 6.0% to 2.5%. The number of unemployed workers in the Greater Mankato MSA decreased from 3,472 to 1,439 between 2009 and 2016. According to CUNA, the steady economic recovery will continue with predictions of USA GDP growth of 2.50% in 2017, inflation of 2.50%, unemployment of 4.60%. An upward shift in the yield curve is expected with Fed Funds increasing to 1.40% and 10 year Treasury reaching 3.00% by 12/31/17.

By year end 2016, we reached all-time record highs again in total assets (\$139 million), deposits (\$125 million), loans (\$78 million), member-owned capital (\$14 million = 9.75% of assets), members (13,041) and net income (\$1.62 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 2.95% in 2016 versus peer of 3.68%. Our yield on average loans continues to be less than the national average (4.77% vs. 4.89%, good for borrowers) and on the fee side, we netted 0.51% of average assets vs. peer of 0.85%, so we fee less (good for transaction oriented members). Our cost of funds were 0.47% vs 0.37% so higher than peer (good for savers). We do realize that the prolonged low market interest rates have been wonderful for borrowers, but not nearly as rewarding for savers. The FOMC did bump the target rate on Fed Funds by 25bps December 2015, December 2016 and now March 2017 to 0.85%. Today, a 1-year Treasury pays 1.01% and a 5-year Treasury pays 2.05%. The stock market has been bullish for several years now with the Dow moving from a low of 7,700 March 2009 to 20,800

March 2017. Prime finally did increase from 3.25% (since Dec 2008) to 4.00% (March 2016). A conforming fixed rate 30 year mortgage would run about 4.25% from a record low of 3.36% last reached August 2016 (and December 2012).

Over the past ten years, member owned capital has grown an average 12.14%, deposits 10.99%, loans 8.02%, membership 4.71%, investments 19.86%, with delinquency + charge offs 1.24% of loans (USA average 1.86%), and return on assets 1.00% (USA average 0.40%). These are very solid, balanced, decade-long results and consistently outshine the national peer averages. We continue to earn the highest safety & soundness grades from NCUA, CPAs, CUNA, Bauer (5 of 5 Stars) and Weiss (A- / top 15%).

Net loan growth in 2016 was up to 10.07% from last year's 7.36% and compared to the 2016 peer average of 8.48%. Net deposit growth in 2016 was 13.46% compared to the peer average of 5.61%. Net capital growth in 2016 was 13.53% compared to the peer average of 5.55%. In 2016, we made 2,015 installment loans which totaled \$24M in total disbursements (compared to 2,229 and 24.6M in 2015). When we include all loans and lines, disbursements totaled a record \$70.6M (compared to \$53.6M in 2015). MVFCU originated a record 217 first mortgages in 2016 (prior record 177 in 2012). In addition, we service about \$67 million (453 loans) in first mortgages we've sold to the secondary market (FHLB/Fannie Mae).

At 12/31/16, MVFCU had 13,041 members. We opened 1,280 new memberships (closed 724, for a net gain of 556 members). There are 7,208 checking accounts, 8,307 MasterCard debit cards, 2,343 MasterCard credit cards, 6,520 active online banking users, and 1,545 active mobile banking users. Members used their debit cards 1.5 million times in 2016. Credit Union members performed 3,773 shared branch service transactions both here and away. At MVFCU, members hold 26,333 savings and 7,119 active loan accounts. At year end we had 28 full time and 3 part time employees. **Please let us know anytime how we might serve you better. Thanks, for another great year!**

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. We also search for new products and services.

SUPERVISORY COMMITTEE TIM'S REPORT

The Supervisory Committee (SC) volunteers evaluate management decisions, finances, internal controls and operations in cooperation with the federal agency National Credit Union Administration (NCUA), CPA's CliftonLarsonAllen, and our two internal auditors. In 2016, the SC reviewed 302 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 contact us, with any questions or concerns.

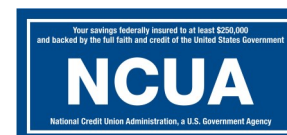


Serving Blue Earth, Nicollet & Le Sueur Counties

Greater Mankato's Community Credit Union Since 1934

82nd ANNUAL MEETING APRIL 25, 2017 Courtyard by Marriott Mankato, MN

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



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
2016 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.....John F. Considine III

Open Discussion Time

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

New Business

Scholarship Presentation.....Ben Suker
Board Election Results.....Steve Erdman
Introduction Of 2017 Directors.....Steve Erdman
Door Prize Drawings.....Ben Suker

***Guest Speaker from Greater Mankato
Growth's Director of Regional Business
Intelligence —John F. Considine III**

**THANK YOU FOR ANOTHER
GREAT YEAR!! WE LOOK FORWARD
TO MANY MORE!**

STATEMENT OF FINANCIAL CONDITION

Income Statements

	12/31/2016	12/31/2015
Interest on Loans	3,571,057	3,306,251
Income from Investments	658,594	548,335
Other Operating Income	1,923,157	1,531,243
TOTAL GROSS INCOME	6,152,808	\$5,385,829
Employee Compensation & Benefits	1,601,175	1,530,113
Travel & Conference Expense	41,376	36,848
Association Dues	82,336	92,659
Office Occupancy Expense	164,744	142,680
Office Operations Expense	1,015,976	965,708
Education & Promotion Expense	195,819	184,108
Loan Servicing Expense	492,037	316,853
Professional & Outside Services	240,394	203,444
Provision for Loan Losses	129,782	13,502
Member Insurance	0.00	564
NCUA Operating Fees	21,672	18,068
Interest on Borrowed Money	46	35
Membership Meeting Expense	6,644	6,195
Miscellaneous Operating Expense	477	1,432
TOTAL OPERATING EXPENSES	3,862,650	\$3,498,673
Dividends Paid to Members	619,078	488,033
Other Non-Operating Income*	76,639	*312,834
Pre Net Income	1,617,891	1,698,422
NCUA Recapitalization Expense	0	0
Post Net Income	1,617,891	1,698,422

Board Members

Steve Erdman, Chair
Harold "Sandy" Bartlett, Vice Chair
Sandra Eggert, Secretary
George Patchin, Treasurer
Ross Arneson
Tammy Longenecker
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
Tom Bicek
Warren Michels
William Montag
Brenda Simpson
NCUA: Federal Examiners
CPA: CliftonLarsonAllen

Internal Auditors

Levi Davis
Jennifer Bloomquist



Balance Sheets

	12/31/2016	12/31/2015
Assets		
Loans	78,391,122	71,227,410
Allowance for Loan Loss	(292,879)	(278,462)
Short-Term Liquidity	44,900	1,253,952
Corporate CU Investments	5,306,747	4,531,747
Other Investments (mainly CDs)	50,922,286	42,486,933
Building & Land	946,839	865,606
Fixed Assets	349,365	281,616
Other Assets	2,383,259	1,427,829
NCUSIF Deposit	1,148,494	1,025,130
TOTAL ASSETS	139,200,133	\$122,821,760
Liabilities & Capital		
Member Savings & Certificates	125,221,324	110,361,559
Accounts Payable	365,104	468,818
Dividends Payable	34,972	30,542
Member Capital	13,578,732	11,960,841
TOTAL LIAB. & CAPITAL	139,200,133	\$122,821,760

Statements of Equity/Loans/Shares

	12/31/2016	12/31/2015
Beginning Capital	10,958,359	9,259,937
Regular Reserve	1,002,482	1,002,482
Net Income	1,617,891	1,698,422
TOTAL CAPITAL	13,578,732	\$11,960,841
Vehicle Loans	28,856,525	26,814,878
Consumer Loans	9,116,591	8,753,489
Real Estate Loans	37,029,731	32,057,040
Unsecured Loans	3,388,275	3,602,003
TOTAL LOANS	78,391,122	\$71,227,410
Primary Share	29,810,741	25,217,324
Money Market	54,163,931	48,580,746
Share Certificatess	13,422,637	11,177,734
Checking	23,279,376	21,186,754
IRAs	4,544,639	4,199,002
TOTAL SHARES	125,221,324	\$110,361,559
NET LOAN CHARGE-OFFS	115,365	53,358
NUMBER OF MEMBERS	13,041	12,513
NET CAPITAL/ASSETS	9.75%	9.73%
RETURN ON CAPITAL	12.67%	12.52%