

## BOARD CHAIRPERSON STEVE'S REPORT

We have experienced another record-setting year by focusing on our ongoing commitment "People First, Not Profit". MVFCU has grown to the next level with our credit union peers by adhering to this philosophy. 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. We do our best to represent all members.

## PRESIDENT / CEO NICK'S REPORT

The year 2013 was another extraordinarily good one 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 Best Bank for 2013 by Free Press readers. We rolled out more improved technology in 2013 and into 2014. Of our many 2014 initiatives, we're designing a member reward program, and enhanced services.

As we all know, 2008 through 2013 were economically challenging years in the USA though improvement trends clearly continue. **Locally, we've fared better than most.** Unemployment in Minnesota was 7.3% at 12/31/09, now down to 4.7% at 12/31/13; Blue Earth County from 6.0% to 3.6%. The number of unemployed workers in the Mankato MSA decreased from 3,472 to 2,055 between 2009 and 2013. According to CUNA, the economic recovery will require all of 2014 during which inflation should remain in check (2014 estimate of 2.25%), interest rates low (10 year Treasury est. 3.25%), better GDP growth (est. 3.0%) and less unemployment (est. 7.00%) and improved government budget.

By year end 2013, we again reached all-time record highs in total assets (\$98.5 million), deposits (\$89.2 million), loans (\$61.2M), member-owned capital (\$9 million = 9.16% of assets), members (11,281) and net income (\$1.13 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 3.27% in 2013 and peer of 3.72%. Our yield on average loans continues to be less than the national average (4.91% vs 5.74%, great for borrowers) and on the fee side, we netted .50% of average assets vs. peer of .86%, so we fee less (great for transaction oriented members). Our cost of funds were equal to peer (good for savers). We do realize that with near historically 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 0.12% and a 5-year Treasury pays 1.59%. Fed Funds trade at .10%. On the flip side, the stock market has been bullish for a few years now. Prime is still 3.25%.

Over the past ten years, member owned capital has grown an average 10.33%, deposits 9.35%, loans 9.60%, membership

4.22%, investments 11.61%, with delinquency + charge offs 1.18% of loans (USA average 1.99%), and return on assets .83% (USA average .42%). These are very solid, balanced results and consistently outshine the national peer averages. We continue to earn the highest safety & soundness grades from NCUA, CPAs and CUNA Mutual.

Net loan growth in 2013 was very positive 12.67% compared to the peer average of 4.24%. Net deposit growth in 2013 was positive 8.18% compared to the peer average of 3.74%. Net capital growth in 2013 was positive 12.54% compared to the peer average of 4.39%. In 2013, we made 2,117 installment loans which totaled \$23.1M in total disbursements (compared to 2,221 and \$23.7M in 2012). When we include all lines of credit, disbursements totaled an astounding \$51.3M (compared to \$51.5M in 2012). MVFCU originated a record 177 first mortgages in 2012 and 160 in 2013. We service \$30M

\*\*In 2009, all 7,500 natural person credit unions in the USA were required to contribute additional capital into the federal deposit insurance fund (NCUSIF: never a penny of taxpayer money) and our share was \$474K. In 2010, \$299K. In 2011, \$170K. In 2012, \$76K. In 2013, \$69K. **In total, that's \$1.1M in expense.** In 2014, we're told \$0. The primary losses were at five of the biggest Corporate Credit Unions (in states: CA, CT, IL, KS, TX) that invested in misrepresented, mortgage backed securities, issued by "Wall Street." NCUA has prevailed in many lawsuits including \$1.2 billion from JP Morgan Chase in 2014.

At 12/31/13, MVFCU had 11,281 members. We opened 1,216 new memberships (closed 670, for a net gain of 546 members). There are 5,801 checking accounts, 5,689 Visa debit cards, 1,995 Visa credit cards and 4,443 active online banking users. Here, members hold 22,117 savings and 8,726 loan accounts. At year end we had 22 full time and 5 part time employees to serve you. **Please let us know anytime how we might serve you better. Thank you all very much.**

## 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, analyzing trends, 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 CliftonLarson-Allen, and our two internal auditors. In 2013, the SC reviewed 321 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.



Serving Blue Earth, Nicollet & Le Sueur Counties

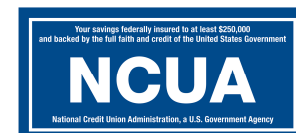
## Local Trusted Banking

79th  
ANNUAL MEETING  
APRIL 22, 2014

Low Loan Rates  
High Savings Rates  
Low or No Fees



*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

6:30PM Call To Order.....Steve Erdman  
Proof Of Notice Of Meeting.....Sandra Eggert  
Declaration Of A Quorum.....Sandra Eggert  
2013 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.....Mr. Paul Vogel\***

### Open Discussion Time

Member attendees are sincerely encouraged to share comments, concerns, and ideas. Tell us what you want.

### New Business

Scholarship Presentation.....Edie Lange  
Board Election Results.....Steve Erdman  
Introduction Of 2014 Directors.....Steve Erdman  
Door Prize Drawings.....Edie Lange

**\*Guest Speaker Mr. Paul Vogel,**

**Mankato's Director of Community Development**

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

# STATEMENT OF FINANCIAL CONDITION

## Income Statements

	12/31/2013	12/31/2012
Interest on Loans	2,842,168	2,716,586
Income from Investments	459,588	460,599
Other Operating Income	1,379,016	1,190,665
<b>TOTAL GROSS INCOME</b>	<b>\$4,680,772</b>	<b>\$ 4,367,850</b>
Employee Compensation & Benefits	1,337,580	1,288,996
Travel & Conference Expense	44,745	29,796
Association Dues	77,750	65,450
Office Occupancy Expense	143,269	134,042
Office Operations Expense	763,258	665,707
Education & Promotion Expense	125,371	98,738
Loan Servicing Expense	328,948	264,214
Professional & Outside Services	171,117	171,532
Provision for Loan Losses	108,487	77,417
Member Insurance	6,900	7,038
NCUA Operating Fees	21,598	19,918
Interest on Borrowed Money	88	0
Membership Meeting Expense	6,863	5,344
Miscellaneous Operating Expense	2,487	(602)
<b>TOTAL OPERATING EXPENSES</b>	<b>\$3,138,461</b>	<b>\$2,750,173</b>
Dividends Paid to Members	343,372	450,340
Other Non-Operating Income	2,132	17,115
Pre Net Income	<b>1,201,071</b>	<b>1,184,452</b>
NCUA Recapitalization Expense**	(69,004)	(75,651)
Post Net Income	<b>\$1,132,067</b>	<b>\$1,108,801</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  
Edie Lange, VP Development  
Trent Talle, VP Lending  
Trinette Risting, Operations Manager  
Dean Wellner, Mortgage Supervisor  
Ben Suker, Project Manager

## Supervisory Committee

Timothy Madsen, Chair  
Merlyn Bruns  
John Schwertfeger  
Brenda Simpson  
William Montag

**CPA:** CliftonLarsonAllen

## Internal Auditors

Ben Suker  
Lindsey Bibbs

## Balance Sheets

	12/31/2013	12/31/2012
<b>Assets</b>		
Loans	61,248,009	54,360,551
Allowance for Loan Loss	(295,748)	(270,935)
Short-Term Liquidity	1,213,503	1,208,698
Corporate CU Investments	2,351,722	3,951,722
Other Investments (mainly CDs)	30,024,683	26,654,302
Building & Land	897,783	926,253
Fixed Assets	343,278	301,185
Other Assets	1,875,691	2,890,376
NCUSIF Deposit	862,549	796,322
<b>TOTAL ASSETS</b>	<b>\$98,521,471</b>	<b>\$90,818,474</b>
<b>Liabilities &amp; Capital</b>		
Member Savings & CDs	89,208,153	82,465,519
Accounts Payable	247,249	408,605
Dividends Payable	37,408	47,756
Member Capital	9,028,660	7,896,594
<b>TOTAL LIAB. &amp; CAPITAL</b>	<b>\$98,521,471</b>	<b>\$90,818,474</b>

## Statements of Equity/Loans/Shares

	12/31/2013	12/31/2012
Beginning Capital	6,894,112	5,785,310
Regular Reserve	1,002,481	1,002,483
Net Income	1,132,067	1,108,801
<b>TOTAL CAPITAL</b>	<b>\$9,028,660</b>	<b>\$7,896,594</b>
Vehicle Loans	23,794,603	23,575,505
Consumer Loans	7,187,985	6,099,608
Real Estate Loans	26,713,271	21,292,638
Unsecured Loans	3,552,150	3,392,800
<b>TOTAL LOANS</b>	<b>\$61,248,009</b>	<b>\$54,360,551</b>
Primary Share	19,624,551	17,604,587
Money Market	40,085,693	36,357,751
CDs	10,085,233	10,187,491
Checking	16,129,066	14,986,450
IRAs	3,283,611	3,329,240
<b>TOTAL SHARES</b>	<b>\$89,208,154</b>	<b>\$82,465,519</b>
NET LOAN CHARGE-OFFS	\$71,702	\$106,194

