

## 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) 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 2015 was another very good one. We set all-time highs in members, deposits, loans, and member equity. We rolled out more improved services and technology in 2015 and will in 2016 and 2017. Perhaps the biggest is the switch to Mastercard EMV debit and credit cards and also a switch to the Money Pass ATM network. We also paid a \$60K patronage dividend which we plan on continuing every year. Also we plan to add more office space.

As we all know, starting back in 2008, the USA struggled economically, though improvement trends continue. Locally, we've fared much better. Unemployment in Minnesota was 7.3% at 12/31/09, now down to 3.6% at 12/31/15; Blue Earth County from 6.0% to 2.5%. The number of unemployed workers in the Greater Mankato MSA decreased from 3,472 to 1,474 between 2009 and 2015. According to CUNA, the steady economic recovery will continue with predictions of GDP growth of 3.00% in 2016, inflation of 1.75%, unemployment of 4.90%, and yield curve flattening as short term rates (fed funds from 0.13% to 1.00%) rise faster than long term rates (10 year Treasury of 1.95%, reaching 2.75%) by 12/31/16.

By year end 2015, we reached all-time record highs again in total assets (\$123 million), deposits (\$110 million), loans (\$71 million), member-owned capital (\$12 million = 9.73% of assets), members (12,485) and net income (\$1.39 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 2015 versus peer of 3.68%. Our yield on average loans continues to be less than the national average (4.80% vs. 4.98%, great for borrowers) and on the fee side, we netted 0.45% of average assets vs. peer of 0.86%, so we fee less (great for transaction oriented members). Our cost of funds were 0.42% vs 0.38% so higher than peer (good for savers). We do realize that with prolonged low market interest rates, it's wonderful for borrowers, but not quite as rewarding for savers.. Today, a 1-year Treasury pays 0.70% and a 5-year Treasury pays 1.49%. Fed Funds trade at

0.36%. 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 17,500 March 2016. Prime finally did increase from 3.25% (since Dec 2008) to 3.50% (Dec 2015).

Over the past ten years, member owned capital has grown an average 11.69%, deposits 10.49%, loans 8.57%, membership 4.57%, investments 17.12%, with delinquency + charge offs 1.26% of loans (USA average 1.89%), and return on assets 0.92% (USA average 0.41%). 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 2015 was down slightly from last year's 8.32% to 7.36% for the year compared to the peer average of 8.11%. Net deposit growth in 2015 was positive 13.97% compared to the peer average of 5.77%. Net capital growth in 2015 was positive 16.55% compared to the peer average of 5.94%. In 2015, we made 2,229 installment loans which totaled \$24.6M in total disbursements (compared to 2,152 and \$21.3M in 2014). When we include all lines of credit, disbursements totaled a substantial \$53.6M (compared to \$44.5M in 2014). MVFCU originated a record 177 first mortgages in 2012, 160 in 2013, 97 in 2014 and 126 in 2015. In addition, we service about \$47 million (325 loans) in first mortgages we've sold to the FHLB/Fannie Mae.

At 12/31/15, MVFCU had 12,485 members. We opened 1,368 new memberships (closed 599, for a net gain of 769 members). There are 6,700 checking accounts, 8,043 Visa debit cards, 2,109 Visa credit cards, 5,849 active online banking users, and 1,238 active mobile banking users. Members used their debit cards 1.2 million times in 2015. Credit Union members performed 2,741 shared branch service transactions both here and away. Here, members hold 24,985 savings and 7,221 active loan accounts. At year end we had 26 full time and 2 part time employees. **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. 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 government agency-National Credit Union Administration (NCUA), CPAs-CliftonLarsonAllen, and our two internal auditors. In 2015, the SC reviewed 368 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**

**81st ANNUAL MEETING**

**APRIL 26, 2016**

**Best Western Conference Center, North Mankato**

**Low Loan Rates**

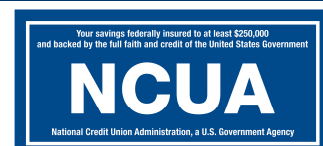
**High Savings Rates**

**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  
2015 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.....Jim Santori**

### 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 2016 Directors.....Steve Erdman  
Door Prize Drawings.....Ben Suker

**\*Guest Speaker from Greater Mankato**

**Growth Business Development,**  
**Former Free Press Publisher — Jim Santori**

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

# STATEMENT OF FINANCIAL CONDITION

## Income Statements

	12/31/2015	12/31/2014
Interest on Loans	3,306,251	3,066,954
Income from Investments	548,335	462,773
Other Operating Income	1,531,243	1,284,140
<b>TOTAL GROSS INCOME</b>	<b>\$5,385,829</b>	<b>\$4,813,867</b>
Employee Compensation & Benefits	1,530,113	1,353,617
Travel & Conference Expense	36,848	45,428
Association Dues	92,659	85,227
Office Occupancy Expense	142,680	142,064
Office Operations Expense	965,708	851,150
Education & Promotion Expense	184,108	138,914
Loan Servicing Expense	316,853	286,836
Professional & Outside Services	203,444	190,982
Provision for Loan Losses	13,502	102,657
Member Insurance	564	6,847
NCUA Operating Fees	18,068	15,498
Interest on Borrowed Money	35	20
Membership Meeting Expense	6,195	6,369
Miscellaneous Operating Expense	1,432	1,952
<b>TOTAL OPERATING EXPENSES</b>	<b>\$3,498,673</b>	<b>\$3,124,885</b>
Dividends Paid to Members	488,033	359,901
Other Non-Operating Income*	*312,834	7,356
Pre Net Income	<b>1,698,422</b>	<b>1,233,759</b>
NCUA Recapitalization Expense	0	0
Post Net Income	<b>\$1,698,422</b>	<b>\$1,233,759</b>

\* \$307,000: Booked Mortgage Servicing Rights Asset—Adjust Annually

## 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

## Balance Sheets

	12/31/2015	12/31/2014
<b>Assets</b>		
Loans	71,227,410	66,341,421
Allowance for Loan Loss	(278,462)	(324,607)
Short-Term Liquidity	1,253,952	1,054,813
Corporate CU Investments	4,531,747	606,747
Other Investments (mainly CDs)	42,486,933	36,008,755
Building & Land	865,606	856,560
Fixed Assets	281,616	352,457
Other Assets	1,427,829	1,555,948
NCUSIF Deposit	1,025,130	935,487
<b>TOTAL ASSETS</b>	<b>\$122,821,760</b>	<b>\$107,387,581</b>
<b>Liabilities &amp; Capital</b>		
Member Savings & certificates	110,361,559	96,833,809
Accounts Payable	468,818	264,042
Dividends Payable	30,542	27,310
Member Capital	11,960,841	10,262,419
<b>TOTAL LIAB. &amp; CAPITAL</b>	<b>\$122,821,760</b>	<b>\$107,387,581</b>

## Statements of Equity/Loans/Shares

	12/31/2015	12/31/2014
Beginning Capital	9,259,937	8,026,178
Regular Reserve	1,002,482	1,002,482
Net Income	1,698,422	1,233,759
<b>TOTAL CAPITAL</b>	<b>\$11,960,841</b>	<b>\$10,262,419</b>
Vehicle Loans	26,814,878	25,316,786
Consumer Loans	8,753,489	8,177,921
Real Estate Loans	32,057,040	29,327,707
Unsecured Loans	3,602,003	3,519,007
<b>TOTAL LOANS</b>	<b>\$71,227,410</b>	<b>\$66,341,421</b>
Primary Share	25,217,324	21,617,669
Money Market	48,580,746	44,042,984
Share Certificatess	11,177,734	9,106,264
Checking	21,186,754	18,586,087
IRAs	4,199,002	3,480,805
<b>TOTAL SHARES</b>	<b>\$110,361,559</b>	<b>\$96,833,809</b>
<b>NET LOAN CHARGE-OFFS</b>	<b>53,358</b>	<b>\$66,707</b>
<b>NUMBER OF MEMBERS</b>	<b>12,513</b>	<b>11,716</b>
<b>NET CAPITAL/ASSETS</b>	<b>9.73%</b>	<b>9.55%</b>
<b>RETURN ON CAPITAL</b>	<b>12.52%</b>	<b>12.79%</b>

## Supervisory Committee

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

## Internal Auditors

Ben Suker  
Allison Groskreutz

