

BOARD CHAIRPERSON STEVE'S REPORT

In June 2018 we said "Good Bye" and "Thank You" to the Great George Patchin. George served over 48 years on the Board of Directors and most of those as Treasurer. He also served on several different committees. George was the best ambassador any credit union, business or group could imagine. In 2018 we again experienced another successful year by emphasizing outstanding member service. The credit union continues to grow and we consistently compare very favorably with other financials. Our staff is dedicated to providing our members with the best products and services possible. Membership growth was again nearly triple the national average. The board of directors and the supervisory committee volunteers are knowledgeable and dedicated to providing the membership with a strong and technologically advanced credit union for both today and tomorrow. "Tell us what you want. We listen. Then deliver." We all do our very best to say and do: "Yes You Can."

PRESIDENT / CEO NICK'S REPORT

The year 2018 was another very good one. Thanks. We were pleased when MVFCU was again voted Greater Mankato's #1 Best Bank or Credit Union for 2018 (4 in a row now) by Free Press readers. We bought the former Weir Insurance building at 208 North Broad for back office operations. We call it George's Place. We closed 206 first mortgage loans in 2018 / 190 in 2017 / 217 in 2016. We paid a \$90K Co-op patronage dividend for 2018 / \$70K for 2017 / \$80K for 2016. We donated \$50K.

Unemployment in Minnesota was 7.3% at 12/31/09 and now down to 2.2% at 12/31/18; Blue Earth County from 6.0% to 1.7% and Nicollet 1.6%. The number of unemployed workers in the Greater Mankato MSA decreased from 3,472 to 1,034 between 2009 and 2018. According to CUNA, GDP growth was 3.10% in 2018 and will be 2.25% in 2019; inflation was 2.10% and will be 2.25%; unemployment was 3.90% and will be 3.80%. The yield curve is unusually flat with a 1 year Treasury at 2.52% and 10 year at 2.63%. Fed Funds ended 2018 at 2.40% and should reach 2.90% in 2019. The 10 year Treasury might reach 3.00%. Prime increased from 3.50% to 5.50% since Dec 2015.

By 12/31/18, we reached all-time record highs again in total assets (\$168 million), deposits (\$150 million), loans (\$102 million), member-owned capital (\$17 million = 10.09% of assets), members (14,936) and net income (\$1.81 million). Our gross operating expenses, as a percentage of average assets, continue to decline, which is a measure of operational efficiency: 5.00% in 2000, now 2.91% in 2018 versus peer of 3.76%. Our yield on average loans continues to be less than the national average (4.30% vs. 4.90%, great for borrowers) and on the fee side, we netted 0.44% of average assets vs. peer of 0.85%, so we fee less (great for transaction oriented members). Our cost of funds were 0.56% vs 0.46% of average assets so higher than peer (good for savers). Salary & Benefits per full time equivalent average \$66K vs \$68K for the Peer. Yet one employee at MVFCU serves 515 members vs 359 for the Peer. The stock market has been bullish for several years now with the Dow moving from a low of 7,700 March 2009 to 26,000 March 2019. A conforming

fixed rate 30 year mortgage would run about 4.63% from a record low of 3.36% last seen in 2016. In 1981 the average was 16.63%!

Over the past 11 years, member owned capital has grown an average each year of 12.33%, deposits 11.13%, loans 8.93%, membership 5.27%, investments 19.74%, delinquency + charge offs 1.22% of loans (Peer average 1.79%), and return on assets 1.03% (Peer average 0.42%). These are very solid, balanced, long-term 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%). NCUA calculates that given our low risk balance sheet we'd only need 5.68% capital and we have 10.09%. We are well positioned for a rising rates with only 14% of assets considered long term (peer average is 30%).

Net loan growth in 2018 was up to 15.26% from last year's 12.97% and compared to the 2018 peer average of 8.56%. Net deposit growth in 2018 was 6.92% compared to the peer average of 3.63%. Net capital growth in 2018 was 11.89% compared to the peer average of 7.29%. In 2018, we made 2,540 installment loans which totaled \$37M in total disbursements (compared to 2,200 and \$30M in 2017). When we include all loans and lines, disbursements totaled a record \$81.5M (compared to \$70.1M in 2017). In addition, we service about \$93 million (642 loans) in first mortgages we've sold to the secondary market (FHLB/Fannie Mae).

At 12/31/18, MVFCU had 14,936 members. We opened 1,729 new memberships (closed 704, for a record net gain of 1,025 members). There are 8,640 checking accounts, 14,182 MasterCard debit cards, 2,066 MasterCard credit cards, 6,870 active online banking users, and 3,482 active mobile banking users. Members used their debit cards 2.1 million times in 2018. Credit Union members performed 5,060 shared branch service transactions both here and away. At MVFCU, members hold 30,707 savings and 7,836 active loan accounts. At year end we had 26 full time and 6 part time employees. **Please let us know anytime how we might serve you better. Thanks!**

BOARD TREASURER SANDY'S REPORT

It isn't really possible to replace the late George Patchin as the new Treasurer. He'd be pleased though not surprised that MVFCU remains on a very steady course and growing. Each month management and the Treasurer convene for the Asset-Liability Committee meeting. Our focus includes closely controlling the net interest rate margin, budgeting, measuring and forecasting using our ALM reports. 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 Eide Bailly and CLA, and our three internal auditors. In 2018, the SC reviewed over 300 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.

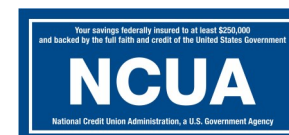


Serving Blue Earth, Nicollet & Le Sueur Counties

Greater Mankato's Community Credit Union Since 1934

84th ANNUAL MEETING APRIL 30, 2019 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.....Chairman Steve Erdman
Proof Of Notice Of Meeting.....Tammy Longenecker
Declaration Of A Quorum.....Tammy Longenecker
2018Minutes.....Tammy Longenecker
Close Election/Select Ballot Judge...Tammy Longenecker
Report Of Nominating Committee.....Sandy Bartlett
Additions/Changes To Agenda.....Steve Erdman
Report Of Directors.....Steve Erdman
Report Of President.....Nick Meyer
Employee Introductions.....MVFCU Staff
Report Of Treasurer.....Sandy Bartlett
Report Of Supervisory Committee....Timothy Madsen
Guest Speaker.....* Pete Steiner

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 2019 Directors.....Steve Erdman
Door Prize Drawings.....Ben Suker

***Guest Speaker KTOE Radio (since 1988) and Mankato Magazine's Pete Steiner**

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

It pays to bank where you're part owner !

STATEMENT OF FINANCIAL CONDITION (also \$93M sold mortgage loan servicing portfolio at 12/31/18)

Income Statements

	12/31/2018	12/31/2017
Interest on Loans	4,097,600	3,663,552
Income from Investments	1,107,549	904,181
Other Operating Income	2,088,932	1,858,856
TOTAL GROSS INCOME	7,294,081	6,426,589
Employee Compensation & Benefits	1,919,710	1,883,439
Travel & Conference Expense	43,714	51,664
Association Dues	49,460	49,277
Office Occupancy Expense	165,543	158,047
Office Operations Expense	1,299,220	1,156,603
Education & Promotion Expense	259,231	236,162
Loan Servicing Expense	661,872	556,390
Professional & Outside Services	255,604	228,076
Provision for Loan Losses	156,007	117,463
Member Insurance	0.00	0.00
NCUA Operating Fees	38,816	29,423
Interest on Borrowed Money	461	3,745
Membership Meeting Expense	13,667	12,112
Miscellaneous Operating Expense	5,308	271
TOTAL OPERATING EXPENSES	4,868,613	4,361,465
Dividends Paid to Members	906,019	681,688
Other Non-Operating Income*	282,148	312,199
Pre Net Income	1,801,598	1,574,428
NCUA Recapitalization Expense	0.00	0.00
Post Net Income	1,801,598	1,574,428

* \$194K + \$312 + \$77 + \$307 Mtg Servicing Rights Asset Value-Adjust

Board Members

Steve Erdman, Chair
Mike Smith, Vice Chair
Tammy Longenecker, Secretary
Harold "Sandy" Bartlett, Treasurer
Tom Bicek
Ben Hoffman
Leigh Pomeroy

Management

Nick Meyer, President / CEO
Trent Talle, VP Lending
Trinette Risting, Operations Manager
Ben Suker, Development Manager
Joann Ericksen, Branch Supervisor

Supervisory Committee

Timothy Madsen, Chair
Warren Michels
William Montag
Brenda Simpson
Mark Weber
NCUA: Federal Examiners
CPA: Eide Bailly and CLA

Internal Auditors

Joann Ericksen
Jennifer Bloomquist
Ben Suker



Balance Sheets

	12/31/2018	12/31/2017
Assets		
Loans	102,057,786	88,566,399
Allowance for Loan Loss	(348,344)	(284,486)
Short-Term Liquidity	978,435	1,078,912
Corporate CU Investments	4,050,306	5,594,697
Other Investments (mainly CDs)	56,083,195	56,636,193
Building & Land	1,268,508	894,592
Fixed Assets	410,924	359,769
Other Assets	1,931,890	1,664,870
NCUSIF Deposit	1,447,427	1,322,111
TOTAL ASSETS	167,880,127	155,833,060
Liabilities & Capital		
Member Savings & Certificates	149,904,453	140,202,271
Accounts Payable	949,588	431,171
Dividends Payable	71,328	46,457
Member Capital	16,954,758	15,153,159
TOTAL LIAB. & CAPITAL	167,880,127	155,833,060

Statements of Equity/Loans/Shares

	12/31/2018	12/31/2017
Beginning Capital	14,150,678	12,576,250
Regular Reserve	1,002,481	1,002,482
Net Income	1,801,598	1,574,428
TOTAL CAPITAL	16,954,757	15,153,160
Vehicle Loans	42,760,468	35,695,333
Consumer Loans	8,857,301	8,478,725
Real Estate Loans	47,408,696	41,138,528
Unsecured Loans	3,031,320	3,253,811
TOTAL LOANS	102,057,786	88,566,399
Primary Share	37,098,689	33,567,991
Money Market	59,764,191	59,944,538
Share Certificates	20,448,527	15,003,963
Checking	27,155,447	26,449,971
IRAs	5,437,598	5,235,808
TOTAL SHARES	149,904,453	140,202,271
NET LOAN CHARGE-OFFS	92,149	115,365
NUMBER OF MEMBERS	14,936	13,041
NET CAPITAL/ASSETS	10.10%	9.75%
RETURN ON AVE CAPITAL	11.22%	10.96%