

BOARD CHAIRPERSON STEVE'S REPORT

In 2019 we again experienced another successful year by emphasizing member service. MVFCU continues to grow and compare favorably with other financials. Our staff is dedicated to providing members with the best products and services possible. Our membership growth continues to be above the national average. Our Loan Department continues to provide stellar performance for our members and have once again broken their own record for the number of first mortgages closed in 2019. The Board of Directors and Supervisory Committee are knowledgeable and dedicated to providing a strong and technologically advanced credit union for today and tomorrow. The Corona virus has changed everyone's lives, but our CU staff strives to ensure our members needs are served. The Board of Directors has been meeting virtually every month, making the best decisions, while always ensuring the safety of our members and staff. Tell us what you want, we listen, then deliver. We all do our very best to say Yes You Can. Be Hopeful. Stay Safe.

PRESIDENT / CEO NICK'S REPORT: 2019 and 2020

The year 2019 was another very good one. The year 2020 is likewise very solid led by a surge in mortgage refinance activity due to historic low mortgage rates. Also deposits have rolled in at a record pace given the worries about the economy brought on by the Covid 19 pandemic. Our lobbies closed March 20, 2020 and as of today not reopened. The drive ups, phones, e-mails, online banking and ART have been very busy. Members are doing a great job of using technology and being patient. We do run some in person appointments. We hope to reopen both lobbies soon, too. We miss the direct contact.

We were pleased and humbled when MVFCU was again voted Greater Mankato's #1 Best Bank or Credit Union for 2019 (5th in a row) by Free Press readers. However, in 2020 we came in #2. We'll try even harder. We have some back office operations at our 3rd building at 208 North Broad Street called George's Place across from our downtown location at 100 Memorial View Court. We've been very busy. Through 9/30/20 we closed 529 first mortgage loans: 256 in 2019 / 206 in 2018 / 190 in 2017 / 217 in 2016. Member deposits grew \$13.3M in 2019 and so far in 2020 have grown \$28.6M. We will pay a \$90K Co-op patronage dividend in 2020 and paid \$80K in 2019 / \$90K in 2018 / \$70K for 2017 / \$80K for 2016. We donated \$50K in 2019 and will have donated \$60K in 2020.

Unemployment in Minnesota was 3.2% at 07/31/19 but up to 8.5% at 07/31/20 because of Covid. US unemployment was 3.8% then up to 11.2%. Blue Earth County went from 3.0% to 6.4%. The number of unemployed in Blue Earth and Nicollet Counties had been 1,785 then up to 3,888 in that July 2019 to July 2020 year. Here in October those numbers are better. But most economists agree we are far from "out of the woods" and it might well be into 2021 and 2022 that we are back to "normal" or the "new normal."

US GDP (gross domestic product) had average 2.43% over the past 5 years and was 2.33% in 2019. In the first quarter of 2020 it was negative 5.0%. At the end of the second quarter of 2020 it was negative 31.7% which was the largest recorded fall on record. The economy has show signs of recovery from this recession and CUNA's forecast for 2020 is negative 3.4% and for 2021 positive 3.5% with inflation of 1.5% and unemployment of 6.5%. The 10 year Treasury had a 5 year average of 2.35%, dropped to 1.92% in 2019 and today is 0.60%. The forecast is 0.70% in 2020 and 0.80% in 2021.

By 12/31/19 and then at 8/31/20, we reached all-time record highs again in total assets (\$183 million then \$213M), deposits (\$163 million then \$192M), loans (\$110 million then \$112M), member-owned capital (\$18.6 million then \$20.7M), members (15,575 then 16,005) and net income (\$1.6 million then \$2.2M).

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 2.81% at 6/30/20 versus Peer of 3.57% (Peer are USA credit unions \$100M to \$500M in assets of which there are just over 1,000). Our yield on average loans continues to be less than the national average (4.44% vs. 4.97%, great for borrowers) and on the fee side, we netted 0.44% of average assets vs. Peer of 0.66%, so we fee less (great for transaction oriented members). Our cost of funds were 0.59% vs 0.55% of average assets so higher than peer (good for sav-ers). Salary & Benefits per full time equivalent average \$72K vs \$74K for the Peer. Yet one employee at MVFCU serves 495 members vs 364 for the Peer.

Over the past 12 years, member owned capital has grown an average each year of 12.50% vs Peer of 4.94% / deposits 12.36% vs Peer 7.08% / loans 8.20% vs Peer 5.06% / membership 5.08% vs Peer 1.42% / delinquency + charge offs 1.14% of loans vs Peer 1.65% / return on assets 1.07% vs Peer of 0.45% 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 5.58% capital and we have 9.54%. We had net loan charge offs of \$160K so far in 2020 but \$733K in 2019 / \$92K in 2018 / \$126K in 2017 / \$115K in 2016.

Net loan growth in 2019 was 7.27% vs 15.23% in 2018. Net deposit growth in 2019 was 8.87% vs 6.92% in 2018. Net capital growth in 2019 was 9.47% vs 11.89% in 2018. Return on average assets was 1.27% in 2019 vs 1.24% in 2018. Today at 8/31/20 we service 965 first mortgage loans totaling \$149M that we've sold to the secondary market through the FHLB though we retained the servicing and today we earn about \$30K per month.

At 12/31/19, MVFCU had 15,575 members. We opened 1,517 new memberships (closed 878, for a record net gain of 639 members). There were 9,136 checking accounts, 15,347 MasterCard debit cards, 1,733 MasterCard credit cards, 8,032 active online banking users, and 4,036 active mobile banking users. Members used their debit cards 2.3 million times in 2019. Credit Union members performed 3,915 shared branch service transactions both here and away. At MVFCU, members held 31,674 savings and 7,945 active loan accounts. At year end we had 30 full time and 5 part time employees. **Please let us know anytime how we might serve you better. Thanks!**

BOARD TREASURER SANDY'S REPORT

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. With Covid 19 we were worried about what might happen this year. I'm pleased and proud to report to you tonight that not only have we survived, but we have thrived. Thank you our hard working staff & management. We understand there is much to do, but we continue to navigate our way through it. Thank you to our wonderful members as well.

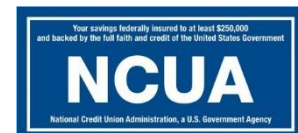


Serving Blue Earth, Nicollet, Le Sueur and Waseca Counties

Greater Mankato's Community Credit Union Since 1934

85th ANNUAL MEETING October 27, 2020 A Virtual GoToMeeting

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 employees and become their most valued and trusted financial institution and employer, 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 OrderChairman Steve Erdman
Proof Of Notice Of Meeting.....Secretary Ben Hoffman
Declaration Of A Quorum.....Ben Hoffman
2019 Minutes..... Ben Hoffman
Close Election/Select Ballot Judge.....Ben Hoffman
Report Of Nominating CommitteeSandy Bartlett
Additions/Changes To Agenda.....Steve Erdman
Report Of Directors Steve Erdman
Report Of PresidentNick Meyer
Employee Introductions MVFCU Staff
Report Of Treasurer Sandy Bartlett
Report Of Supervisory Committee..... Timothy Madsen

Open Discussion Time

Member attendees are sincerely encouraged to share comments, concerns and ideas in the chat window of the GoToMeeting. We appreciate the interaction.

New Business

Introduction Of 2020 DirectorsSteve Erdman

Board Members

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

Supervisory Committee

Timothy Madsen, Chair
Daryl Arzdorf
Warren Michels
Mark Weber
Carol Whitney
NCUA: Federal Examiners
CPA: Eide Bailly and CLA

Management

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

Internal Auditors

Sarah Adams
Jennifer Bloomquist
Joann Ericksen
Ben Suker

STATEMENT OF FINANCIAL CONDITION (also 965 = \$149M sold but serviced 1st mortgage FHLB loans)

Income Statements

	12/31/2019	12/31/2018
Interest on Loans	\$ 4,902,553	4,097,600
Income from Investments	1,337,405	1,107,549
Other Operating Income	<u>2,384,036</u>	<u>2,088,932</u>
TOTAL GROSS INCOME	8,623,994	7,294,081
Employee Compensation & Benefits	1,991,177	1,919,710
Travel & Conference Expense	46,495	43,714
Association Dues	47,341	49,460
Office Occupancy Expense	180,335	165,543
Office Operations Expense	1,717,873	1,299,220
Education & Promotion Expense	250,992	259,231
Loan Servicing Expense	458,712	661,872
Professional & Outside Services	286,109	255,604
Provision for Loan Losses	892,972	156,007
Member Insurance	0.00	0.00
NCUA Operating Fees	44,213	38,816
Interest on Borrowed Money	3,183	461
Membership Meeting Expense	15,239	13,667
Miscellaneous Operating Expense	<u>5,088</u>	<u>5,308</u>
TOTAL OPERATING EXPENSES	5,939,729	4,868,613
Dividends Paid to Members	1,200,290	906,019
Other Non-Operating Income*	121,239	282,148
Pre Net Income	1,605,214	1,801,598
NCUA Recap or Other Expenses	<u>0.00</u>	<u>0.00</u>
Post Net Income	1,605,214	1,801,598

Balance Sheets

Assets	12/31/2019	12/31/2018
Loans	\$ 109,553,249	102,057,786
Allowance for Loan Loss	(511,050)	(348,344)
Short-Term Liquidity	1,350,024	978,435
Corporate CU Investments	9,034,992	4,050,306
Other Investments (mainly CDs)	57,184,522	56,083,195
Building & Land	1,221,184	1,268,508
Fixed Assets	447,035	410,924
Other Assets	3,051,431	1,931,890
NCUSIF Deposit	<u>1,535,182</u>	<u>1,447,427</u>
TOTAL ASSETS	182,866,569	167,880,127
Liabilities & Capital		
Member Savings & Certificates	163,193,618	149,904,453
Accounts Payable	1,013,233	949,588
Dividends Payable	99,746	71,328
Member Capital	<u>18,559,972</u>	<u>16,954,758</u>
TOTAL LIAB. & CAPITAL	182,866,569	167,880,127

Statements of Equity/Loans/Shares

	12/31/2019	12/31/2018
Beginning Capital	15,952,276	14,150,678
Regular Reserve	1,002,482	1,002,481
Net Income	<u>1,605,214</u>	<u>1,801,598</u>
TOTAL CAPITAL	18,559,972	16,954,757
Vehicle Loans	44,341,326	42,760,468
Consumer Loans	9,084,047	8,857,301
Real Estate Loans	53,032,512	47,408,696
Unsecured Loans	<u>3,095,364</u>	<u>3,031,320</u>
TOTAL LOANS	109,553,249	102,057,786
Primary Share	40,930,185	37,098,689
Money Market	63,616,755	59,764,191
Share Certificates	22,552,297	20,448,527
Checking	30,491,780	27,155,447
IRAs	<u>5,602,601</u>	<u>5,437,598</u>
TOTAL SHARES	163,193,618	149,904,453
NET LOAN CHARGE-OFFS	730,267	92,149
NUMBER OF MEMBERS	15,575	14,936
NET CAPITAL/ASSETS	10.14%	10.09%
NET WORTH GROWTH	9.47%	11.89%

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

It pays to bank where you're part owner !



SUPERVISORY COMMITTEE TIMOTHY'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 four internal auditors. In 2019, the SC reviewed over 275 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.