

BOARD CHAIRPERSON STEVE'S REPORT

In 2020 and so far in 2021 we've again experienced continued success. MVFCU continues to grow and compares very favorably with other financials. Our staff is dedicated to providing members with the best products and services possible. Our deposit, loan, accounting, I/T and marketing departments all work together with member service always first in mind. The Board 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 had been meeting virtually but now back to in-person. Be Hopeful. Stay Safe.

PRESIDENT / CEO NICK'S REPORT: 2020 and 2021

The year 2020 was a rather historic year with the Covid Pandemic. Our lobbies closed in March 2020 and later opened again in 2021 when vaccines become available. The Government stepped in with various financial support programs to support businesses and families. This included driving market interest rates down to near historic lows. First mortgage refinance and purchase activity reached all-time highs. This pace continued into 2021 but later slowed as expected. Also, deposits rolled in at a record pace. Members and employees alike did a great job of adapting, using technology and being patient. It's good to be back closer to normal today though we still are a long ways from pre-Covid economic conditions in the USA and globally.

We were pleased and humbled when MVFCU was again voted Greater Mankato's #1 Best Bank or Credit Union for 2021 and #2 for Best Place to Get a Mortgage. We've been very busy. Here through 9/30/21 we've closed 328 first mortgage loans. In 2020 we closed an amazing 658 first mortgage loans: 256 in 2019 / 206 in 2018 / 190 in 2017 / 217 in 2016. Member deposits grew \$36.7M in 2020 and so far in 2021 have grown \$20.8M. We will pay a \$100K Co-op patronage dividend in 2021 and paid \$90K in 2020/ \$80K in 2019 / \$90K in 2018 / \$70K in 2017 / \$80K in 2016. To charity we donated \$62K in 2020 and so far \$45K in 2021.

Unemployment in Minnesota was 3.2% at 07/31/19 but up to 7.6% at 07/31/20 then down to 3.4% 07/31/21 because of Covid. US unemployment was 3.8% then up to 10.5% now down to 5.7%. Blue Earth County went from 3.0% to 6.4% to 3.2%. The number of unemployed in Blue Earth and Nicollet Counties had been 1,785 then up to 3,888 and now down to 1,831. Here in October those numbers are better but many workers dropped out of the workforce and many jobs are going unfilled. But most economists agree that it might take until 2023 when our supply chain challenges are overcome and were closer to full employment including remote workers.

US GDP (gross domestic product) had averaged 2.43% over the past 5 years and was 2.33% in 2019 but **negative** 3.5% in 2020. The expectation is GDP will be **positive** 6.5% in 2021, 4.5% in 2022 and 2.5% in 2023. The Federal Reserve target for annual inflation is 2.50% and in 2020 inflation was 1.36% but in 2021 5.3% with an expectation of 3.0% in 2022. Home prices have risen 13% in 2020 and 2021. The 10 year Treasury had a 5 year average of 2.08%, dropped to 0.93% in 2020 and today is 1.40%. The forecast is 1.50% by the end of 2021 and 2.50% in 2022.

By 12/31/20 and then at 9/30/21, we reached all-time record highs again in total assets (\$223 million then \$246M), deposits (\$200 million then \$221M), loans (\$113 million then \$111M), member-owned

capital (\$22.0 million then \$25.1M), members (16,006 then 16,283) and net income (\$3.5 million then \$3.0M). Our investment portfolio was \$106M last year and now \$130M and earned 1.19% vs Peer of 0.75%.

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 2.50% at 6/30/21 versus Peer of 3.22% (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 (3.92% vs. 4.64%, great for borrowers) and on the fee side, we netted 0.40% of average assets vs. Peer of 0.62%, so we fee less (great for transaction oriented members). Our cost of funds were 0.38% vs 0.33% of average assets so higher than peer (good for savers). Salary & Benefits per full time equivalent average \$76K vs \$74K for the Peer. Yet one employee at MVFCU serves 480 members vs 367 for Peer. Our net charge offs in 2021 are 0.09% vs Peer 0.19%.

Over the past 12 years, member owned capital has grown an average each year of 14.23% vs Peer of 5.65% / deposits 11.91% vs Peer 6.88% / loans 8.43% vs Peer 5.25% / membership 4.93% vs Peer 1.52% / delinquency + charge offs 1.06% of loans vs Peer 1.49% / return on assets 1.23% vs Peer of 0.52% These are very solid, balanced, long-term results and demonstrate how wonderful our south central Minnesota community really is. We continue to earn the highest safety & soundness grades from NCUA, CPAs, CUNA, Bauer (5 of 5 Stars) and Weiss (A- / top 20%). NCUA calculates that given our low risk balance sheet we'd only need 5% capital and we have 10%. We had net loan charge offs of \$95K at 9/30/21 / \$150K in 2020 / \$733K in 2019 / \$92K in 2018 / \$126K in 2017 / \$115K in 2016.

Net consumer loan growth in 2019 was 7.27%, in 2020 was 3.52% and so far in 2021 negative 4.51%. However, gross dollars lent in 2021 are equal to last year. The difference is first mortgage refinancing. Very often when a member refinances they'll also pay off other loans, such as second mortgages, cars and credit cards. We saw a tremendous amount of that in 2020 and 2021. It is very good for the member so we're pleased by that. Today at 9/30/21 we service 1,166 first mortgage loans totaling \$190M that we've sold to the secondary market through the FHLB though we retained servicing and today we gross about \$37K per month to do so and members deal directly with us.

At 09/30/21, MVFCU had 16,283 members. So far this year we opened 818 new memberships (closed 562, for a net gain of 256 members). There were 9,830 checking accounts, 15,276 MasterCard debit cards, 1,722 MasterCard credit cards, 8,213 active online banking users, and 5,937 active mobile banking users. Members used their debit cards 2.5 million times in 2020. At MVFCU, members held 33,325 savings and 7,058 active loan accounts. Today we have 30 full time and 5 part time employees (4 employees working remotely). **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 & 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 are focused. Thank you.

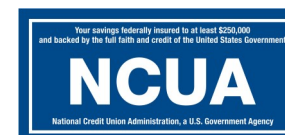


Serving Blue Earth, Nicollet, Le Sueur & Waseca Counties

Greater Mankato's Community Credit Union Since 1934

86th ANNUAL MEETING October 26, 2021 Virtual

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 Order..... Chairman Steve Erdman
Additions/Changes To Agenda..... Steve Erdman
Close Election/Select Ballot Judge..... Ben Hoffman
Report Of Nominating Committee.....Sandy Bartlett

VIDEO STARTS HERE

Proof Of Notice Of Meeting.....Ben Hoffman
Declaration Of A Quorum.....Ben Hoffman
2020 Minutes.....Ben Hoffman
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

Open Discussion Time

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

New Business

Introduction Of 2021 Directors.....Steve Erdman

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

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 numerous internal auditors. In 2020, the SC reviewed over 260 loan files and, thus far in 2021, more than 240 loan files have been reviewed. 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.

STATEMENT OF FINANCIAL CONDITION (also \$190M sold mortgage loan servicing portfolio at 9/30/21)

Income Statements

	12/31/2020	9/31/2021
Interest on Loans	4,832,190	3,307,266
Income from Investments	1,387,869	1,015,037
Other Operating Income	4,414,091	2,571,873
TOTAL GROSS INCOME	10,634,151	6,894,176
Employee Compensation & Benefits	2,297,436	1,868,896
Travel & Conference Expense	37,748	15,363
Association Dues	52,470	35,023
Office Occupancy Expense	158,371	130,068
Office Operations Expense	1,809,454	1,446,924
Education & Promotion Expense	234,457	201,028
Loan Servicing Expense	613,093	346,874
Professional & Outside Services	288,852	208,078
Provision for Loan Losses	364,234	49,647
Member Insurance	0	0
NCUA Operating Fees	48,677	34,249
Interest on Borrowed Money	2	0
Membership Meeting Expense	0	0
Miscellaneous Operating Expense	1,056	24
TOTAL OPERATING EXPENSES	5,905,850	4,336,176
Dividends Paid to Members	-1,068,639	-666,730
Other Non-Operating Income*	-187,623	1,130,876
Pre Net Income	3,472,038	3,022,147
NCUA Recapitalization Expense	0	0
Post Net Income	3,472,038	3,022,147

Board Members

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

Management

Nick Meyer, President / CEO
Trent Talle, VP Lending
Trinette Risting, Operations Manager
Ben Suker, Development Manager
Morgan Jaeger and Sarah Adams: Spvr

Supervisory Committee

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

Internal Auditors

Joann Ericksen
Jennifer Bloomquist
Ben Suker
Sarah Adams
Dustin Mathiowetz, Spvr

Balance Sheets

	12/31/2020	9/31/2021
Assets		
Loans	113,329,623	111,471,374
Allowance for Loan Loss	-724,888	-679,490
Short-Term Liquidity	447,669	-816,548
Corporate CU Investments	12,728,580	9,605,809
Other Investments (mainly CDs)	91,158,672	118,701,714
Building & Land	1,195,141	1,160,496
Fixed Assets	484,473	570,076
Other Assets	2,338,184	4,479,480
NCUSIF Deposit	1,823,276	1,939,788
TOTAL ASSETS	222,780,731	246,432,700
Liabilities & Capital		
Member Savings & Certificates	199,940,755	220,719,555
Accounts Payable	724,060	520,850
Dividends Payable	83,906	138,137
Member Capital	22,032,010	25,054,157
TOTAL LIAB. & CAPITAL	222,780,731	246,432,700

Statements of Equity/Loans/Shares

	12/31/2020	9/31/2021
Beginning Capital	17,557,490	21,029,528
Regular Reserve	1,002,482	1,002,482
Net Income	3,472,038	3,022,147
TOTAL CAPITAL	22,032,010	25,054,157
Vehicle Loans	44,417,049	42,735,399
Consumer Loans	8,498,231	9,055,146
Real Estate Loans	57,869,906	57,407,268
Unsecured Loans	2,544,438	2,273,561
TOTAL LOANS	113,329,624	111,471,374
Primary Share	56,496,187	66,140,566
Money Market	75,659,100	90,014,868
Share Certificates	19,828,191	15,817,012
Checking	42,043,587	42,824,366
IRAs	5,913,690	5,922,745
TOTAL SHARES	199,940,755	220,719,555
NET LOAN CHARGE-OFFS	150,395	95,046
NUMBER OF MEMBERS	16,006	16,283
NET CAPITAL/ASSETS	9.89%	10.17%
RETURN ON AVE CAPITAL	17%	15%