

BOARD CHAIRPERSON STEVE'S REPORT

In 2021 and so far in 2022 we have again experienced success. MVFCU continues to grow and compares very favorably with other financials. Northern Energy Federal Credit Union merged with MVFCU on April 1, 2022. We welcome the Northern Energy members to the MVFCU family. Our staff is dedicated to providing members with the best products and service possible. Our deposit, loan, accounting, I/T and marketing departments all work together with member service 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. "Tell us what you want. We listen. Then deliver." We all do our very best to say and do: "Yes You Can." **Be Hopeful & Stay Safe!**

PRESIDENT / CEO NICK'S REPORT: 2021 and 2022

Today it seems Covid is mainly behind us now. Russia invaded the Ukraine. The US economy is improving but so far inflation is proving difficult to bring down from 8.50% (highest in 40 years) to the long term goal of 2.00%. Unemployment is low at 3.7%. The labor participation rate is 62.3% today. The supply chain problems are improving and manufacturing is catching up. In 2022 NCUA allowed MVFCU to add both Watonwan (pop 11K) and Brown (25K) Counties to our community field of membership which already includes Blue Earth (67K), Nicollet (34K), Le Sueur (28K) and Waseca (19K).

Effective April 1, 2022, we welcomed Mankato based Northern Energy Federal Credit Union's 941 members and added their \$7M in assets, \$6M in deposits, \$3M in investments and \$1M of capital. They were chartered in 1933. In years prior NEFCU had merged St. James School Employees Credit Union and North Mankato's Mico Employees Credit Union into itself. We were pleased and humbled when MVFCU was again voted Greater Mankato's #1 Best Bank or Credit Union for 2022 and #2 for Best Place to Get a Mortgage. We've been busy. Here through 9/30/22 we've closed 146 first mortgage loans. In 2020 we closed an amazing 658 first mortgage loans and in 2021 another 397. Member deposits grew \$31.4M in 2021 and so far in 2022 have grown \$21.2M. Member in-house loans shrank \$3M in 2021 and so far in 2022 have grown \$18.2M. We will pay a \$110K Co-op patronage dividend in 2022 and paid \$100K in 2021/ \$90K in 2020/ \$80K in 2019 /\$90K in 2018 / \$70K in 2017 / \$80K in 2016. To charity we donated \$62K in 2020, \$65K in 2021 and so far in 2022 about \$45K.

US unemployment a year ago was 5.7% but now down to 3.6%. Unemployment in Minnesota was 3.2% last year but now just 2.1%. Blue Earth & Nicollet Counties combined were 3.0% and now 1.7%. The number of unemployed in Blue Earth and Nicollet Counties had been 1,701 and now just 1,049. The number employed went from 55,914 to 59,304. US GDP (gross domestic product) decreased 3.4% in 2020, grew 5.7% in 2021 but so far in 2022 the first quarter was negative 1.6%, then negative 0.6% second quarter. Third quarter might be positive 2.0%. The Federal Reserve target for annual inflation is 2.50% and in 2020 inflation was 1.40%, in 2021 was 7.0% and here in 2022 so far 8.0%. Home prices rose 16.9% in 2021 and expected to increase 5.7% in 2022. Since the beginning of 2022 the 1 year Treasury went from 0.40% to 4.58% today and the 10 year Treasury 1.63% to 4.21%. Since last September the 30 year fixed rate mortgage went from 2.90% to 6.75% today.

Between annual meetings so 9/30/21 vs 9/30/22, assets grew from \$246M to \$281M, deposits from \$221M to \$252M, loans from \$111M to \$129M, member-owned capital from \$25.1M to \$27.8M, members from 16,283 to 17,650 and net income was \$3.0M vs. \$1.3M. Our investment portfolio was \$130M and now \$148M and earned 1.04% vs Peer of 0.96%. 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 2.35% at 6/30/22 versus Peer of 3.18% (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 (3.70% vs. 4.44%, great for borrowers) and on the fee & other operating income side, we netted 0.95% of average assets vs. Peer of 1.21%, so we fee less (great for transaction oriented members). Our cost of funds were 0.41% vs 0.25% of average assets so higher than peer (good for savers). Salary & Benefits per full time equivalent average \$77K vs \$76K for the Peer. Yet one employee at MVFCU serves 479 members vs 363 for Peer. Our net charge offs in 2021 are 0.10% vs Peer 0.18%.

Over the past 12 years, member owned capital has grown an average each year of 14.32% vs Peer of 6.22% / deposits 12.54% vs Peer 6.63% / loans 10.22% vs Peer 6.49% / membership 5.91% vs Peer 1.51% / delinquency + charge offs 0.92% of loans vs Peer 1.35% / return on assets 1.19% vs Peer of 0.56% 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 \$3K at 9/30/22 / \$116K in 2021 / \$150K in 2020 / \$733K in 2019 / \$92K in 2018 / \$126K in 2017 / \$115K in 2016. Net consumer loan growth in 2020 was 3.52%, in 2021 was negative 2.66% and so far in 2022 positive 22% (17% excluding NEFCU) The years 2020 and 2021 were record setting in terms of first mortgages many of which were refinances. Very often when a member refinance 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 to lock in a low rate. Today at 9/30/22 we service 1,167 first mortgage loans totaling \$190M that we've sold to the secondary market through the FHLB though we retained servicing so members still work with us. At 09/30/22, MVFCU had 17,650 members. So far this year we opened 973 new memberships (closed 582, for a net gain of 391 members). There were 10,377 checking accounts, 17,445 MasterCard debit cards, 1,791 MasterCard credit cards, 8,902 active online banking users, and 6,697 active mobile banking users. Members used their debit cards 2.3 million times in 2021. At MVFCU, members held 35,859 savings and 7,375 active loan accounts. Today we have 33 full time and 3 part time employees (3 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.

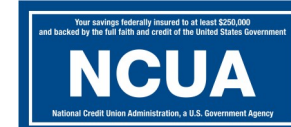


Serving Blue Earth,
Nicollet, Le Sueur,
Waseca, Brown &
Watonwan Counties

Greater Mankato's Community Credit Union Since 1934

87th ANNUAL MEETING October 25, 2022 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
Proof Of Notice Of Meeting..... Ben Hoffman
Declaration Of A Quorum..... Ben Hoffman
2021 Minutes..... Ben Hoffman
Report Of Nominating Committee..... Sandy Bartlett
Report Of Treasurer..... Sandy Bartlett
Report Of Supervisory Committee..... Timothy Madsen
Report Of Directors..... Steve Erdman
Report Of President..... Nick Meyer
Employee Introductions..... MVFCU Staff
Video — CUNA Chief Economist

Open Discussion Time

Member attendees are sincerely encouraged to share comments, concerns, and ideas via chat.

Tell us what you want. It's your credit union.

New Business

Introduction Of 2022 Directors.....Nick Meyer

**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 numerous internal auditors. In 2021, the SC reviewed over 315 loan files and, thus far in 2022, more than 300 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 9/30/22)

Income Statements

	12/31/2021	9/30/2022
Interest on Loans	4,379,784	3,386,452
Income from Investments	1,337,771	1,128,121
Other Operating Income	3,279,402	1,910,943
TOTAL GROSS INCOME	8,996,957	6,425,516
Employee Compensation & Benefits	2,505,636	2,096,056
Travel & Conference Expense	27,960	33,738
Association Dues	46,560	40,779
Office Occupancy Expense	174,341	134,311
Office Operations Expense	1,959,787	1,587,037
Education & Promotion Expense	284,530	220,352
Loan Servicing Expense	454,915	338,602
Professional & Outside Services	282,498	200,571
Provision for Loan Losses	49,647	-9,817
Member Insurance	0	0
NCUA Operating Fees	45,146	31,342
Interest on Borrowed Money	0	0
Membership Meeting Expense	0	0
Miscellaneous Operating Expense	302	25,785
TOTAL OPERATING EXPENSES	5,831,322	4,698,756
Dividends Paid to Members	-896,700	-886,190
Other Non-Operating Income*	-1,130,876	480,582
Pre Net Income	3,399,811	1,321,152
NCUA Recapitalization Expense	0	0
Post Net Income	3,399,811	1,321,152

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, Executive VP
Trinette Risting, VP of Operations
Ben Suker, VP of Development
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, Spvr
Jennifer Bloomquist
Ben Suker
Sarah Adams
Dustin Mathiowetz, Spvr

Balance Sheets

	12/31/2021	9/30/2022
Assets		
Loans	110,352,214	128,574,521
Allowance for Loan Loss	-658,743	-761,616
Short-Term Liquidity	170,271	-353,515
Discount on Loans	0	-38,721
Corporate CU Investments	16,780,809	10,863,743
Other Investments (mainly CDs)	123,929,587	134,552,484
Building & Land	1,227,393	1,189,339
Fixed Assets	529,366	475,791
Other Assets	3,001,9000	3,731,751
NCUSIF Deposit	2,105,925	2,312,228
TOTAL ASSETS	257,438,723	280,546,004
Liabilities & Capital		
Member Savings & Certificates	231,340,854	252,490,783
Accounts Payable	600,629	156,783
Dividends Payable	65,420	145,594
Member Capital	25,431,821	27,752,844
TOTAL LIAB. & CAPITAL	257,438,723	280,546,004

Statements of Equity/Loans/Shares

	12/31/2021	9/30/2022
Beginning Capital	21,029,528	25,217,009
Regular Reserve	1,002,482	1,214,683
Net Income	3,399,811	1,321,152
TOTAL CAPITAL	25,431,821	27,752,844
Vehicle Loans	42,018,681	48,954,454
Consumer Loans	8,870,193	10,841,741
Real Estate Loans	57,150,013	66,299,822
Unsecured Loans	2,313,327	2,478,504
TOTAL LOANS	110,352,214	128,574,521
Primary Share	67,028,047	72,667,207
Money Market	94,482,431	103,808,706
Share Certificates	16,347,049	19,805,122
Checking	47,483,674	49,504,529
IRAs	5,999,652	6,705,220
TOTAL SHARES	231,340,854	252,490,783
NET LOAN CHARGE-OFFS	115,792	-25,482
NUMBER OF MEMBERS	16,360	17,650
NET CAPITAL/ASSETS	9.88%	9.89%
RETURN ON AVE CAPITAL	14%	7%