

BOARD CHAIRPERSON STEVE'S REPORT

In 2022 and so far in 2023 we have again experienced success. MVFCU continues to grow and compares very favorably with other financials. 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."

PRESIDENT / CEO NICK'S REPORT: 2022 and 2023

Clearly, and sadly, there are some global and national tensions of grave concern today. From the national, state and local economic perspectives there has been improvement. Yes, interest rates are higher than the abnormal lows during Covid. That was great for borrowers but tough on savers. Today, rates are closer to long term norms. A 30 year mortgage today is around 7.75% which is near the historic average. However, just a couple years ago 2.75% was possible for many, but not all, borrowers. The US economy is improving. We haven't had a recession. Inflation is down from a recent high of 9% to 3%. The FOMC has a goal of 2.00%. Unemployment in the US is 3.8%, MN 3.4% and the Mankato MSA (Blue Earth and Nicollet County) just 2.7%. Last year in the nine county area there were 4,076 unemployed and today 2,570. The supply chain problems are improving and manufacturing is catching up though there have been labor strikes.

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. In 2012 we welcomed Kato Engineering Employees Credit Union. In 1995 Tracy School District 417.

We were pleased and humbled when MVFCU was again voted Greater Mankato's #1 Best Bank or Credit Union for 2023 and #2 for Best Place to Get a Mortgage. We've been busy. In 2022 assets grew by \$24M, investments grew by \$2M, loans grew by \$23M, deposits grew by \$21M and member owned capital grew by \$2M. Here through 9/30/23, because of tremendous competition for deposits, especially by some financials that were tight on liquidity and cash flows, assets shrunk by \$2M, investments shrunk by \$8M, loans grew by \$7M, deposits shrunk by \$4M and member owned capital grew by \$2M. Liquidity is not an issue for MVFCU. For example, over the next 12 months we have \$42M in investments maturing so an average of \$3.5M per month.

We will pay a \$90K Coop patronage dividend to members in 2023. With that we'll have paid \$750K since 2015. We paid a small bonus dividend in 2023 to all Northern Energy members and plan to do so in 2024. To charity we donated \$62K in 2020, \$65K in 2021, 2022 \$45K. We also donate time and energy to several causes in the area. US GDP (gross domestic product) decreased 2.8% in 2020, grew 5.95% in 2021, grew 2.06% in 2022 and so far in 2023 grew 2.15%. The CBO estimates 2023 growth will be 2.2% and down to 1.5% in 2024. Unfortunately, in the US, home prices have exceeded inflation by 207% since 2020. In 2022 home prices rose 10.3% compared to inflation of 6.3%.

Inflation is subsiding here in 2023. To fight inflation the FOMC rose the Fed Funds rate 425bps in 2022 and so far in 2023 another 125bps. So the Fed Funds target rate rose from almost 0% to 5.50% today. Prime is up to 8.50%. A one year Treasury is 5.43% today though a 5 year Treasury is 4.80% and 10 year Treasury 4.80%. As a not-for profit financial cooperative we do operate differently than a bank. Still, we need to retain some earnings every year so capital keeps pace with growth. Today we have 10.72% capital as a percent of assets which is the highest since at least 1990. So far in 2023 we've earned \$1.9M with three months to go. Last year 2022 \$1.7M, 2021 \$3.4M, 2020 \$3.4M, 2019 \$1.6M. The big two years were huge first mortgage lending years. Our net operating expenses, as a percentage of average assets, continue to decline, which is a measure of operational efficiency: just 1.98% at 6/30/23 versus Peer of 2.79% (Peer are USA credit unions \$250M 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 (4.48% vs. 4.98%, great for borrowers) and on the fee & other operating income side, we netted 0.80% of average assets vs. Peer of 1.15%, so we fee less (great for transaction oriented members). Our cost of funds were 0.91% vs 0.71% of average assets so higher than peer (good for savers). Salary & Benefits per full time equivalent average \$82K vs \$81K for the Peer. Yet one employee at MVFCU serves 541 members vs 358 for Peer. Our net loan charge offs half way through the year were negative -.01% vs Peer 0.32%. Loan delinquency just 0.14% vs 0.36%. Over the past 12 years, member owned capital has grown an average each year of 13.78% vs Peer of 6.56% / deposits 11.39% vs Peer 5.96% / loans 9.20% vs Peer 7.26% / membership 5.00% vs Peer 1.62% / delinquency + charge offs 0.84% of loans vs Peer 1.26% / return on assets 1.19% vs Peer of 0.60% These are very solid, balanced, long-term results and demonstrate how wonderful our south-central MN community 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 6% capital and we have nearly 11%. We had net loan charge offs so far in 2023 of \$8K / "negative" \$33K in 2022 / \$116K in 2021 / \$150K in 2020 / \$733K in 2019 / \$92K in 2018 / \$126K in 2017 / \$115K in 2016. Through 9/30/23 membership is growing by 2.86%, our net long-term assets are only 12/51%, non-earning assets only 0.59%, net operating expenses only 1.96%, cost of funds up to 1.03%, loans are 56% of deposits (rest mainly investments), delinquent loans 0.50%, charge offs 0.01%, asset growth negative 0.79%, loan growth positive 7.06% and return on average assets 0.91%. Our net interest spread is a very good negative 0.10% which means interest on loans and investments minus dividends paid to members is just about enough to cover all operating expenses meaning all other income adds to net income which is productive. At 09/30/23, MVFCU had 17,908 members. So far this year we opened 874 new memberships (closed 316, for a net gain of 558 members). There were 10,844 checking accounts, 15,851 MasterCard debit cards, 2,305 MasterCard credit cards, 9,529 active online banking users, and 7,304 active mobile banking users. Members used their debit cards 1.8 million times in 2023. At MVFCU, members held 37,480 savings and 7,485 active loan accounts. Today we have 34 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: Highlights are members totaling about 18,000, assets about \$280 million, deposits about \$250 million, outstanding loans about \$140 million, investments about \$134 million and member owned capital, retained earnings, over \$30 million. Capital to assets is just under 11%, the highest since at least before 1990. We have about \$38 million in investments maturing over the next 12 months so liquidity is very strong. Your credit union is in very solid condition.

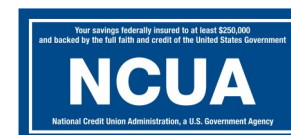


Serving Blue Earth,
Nicollet, Le Sueur,
Waseca, Brown &
Watonwan Counties

Greater Mankato's Community Credit Union Since 1934

88th ANNUAL MEETING October 24, 2023

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
2022 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
Guest Speaker..... Martin Fleischacker with MNDOC

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 2023 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 2022, the SC reviewed 345 loan files and, thus far in 2023, 275 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 \$184M sold mortgage loan servicing portfolio at 9/30/23)

Income Statements

	12/31/2022	9/30/2023
Interest on Loans	4,747,482	4,775,707
Income from Investments	1,549,245	1,701,005
Other Operating Income	2,524,767	1,752,305
TOTAL GROSS INCOME	8,821,494	8,229,017
Employee Compensation & Benefits	2,792,803	1,957,108
Travel & Conference Expense	51,455	30,554
Association Dues	53,330	41,283
Office Occupancy Expense	176,005	142,342
Office Operations Expense	2,110,310	1,547,976
Education & Promotion Expense	299,856	223,113
Loan Servicing Expense	457,156	321,935
Professional & Outside Services	269,230	217,978
Provision for Loan Losses	41,479	3,592
Member Insurance	0	0
NCUA Operating Fees	41,619	32,819
Interest on Borrowed Money	8	0
Membership Meeting Expense	3,498	1,000
Miscellaneous Operating Expense	52,036	1,989
TOTAL OPERATING EXPENSES	6,265,826	4,521,697
Dividends Paid to Members	--1,308,265	-2,174,132
Other Non-Operating Income*	483,348	380,213
Pre Net Income	1,730,751	1,913,405
NCUA Recapitalization Expense	0	0
Post Net Income	1,730,751	1,913,405

Board Members

Steve Erdman, Chair
Brian Boettcher, Vice Chair
Ben Hoffman, Secretary
Harold "Sandy" Bartlett, Treasurer
Tom Bicek
Melissa Bublitz
Carol Whitney

Management

Nick Meyer, President / CEO
Trent Talle, Executive VP
Trinette Risting, VP of Operations
Ben Suker, VP of Development
Morgan Jaeger, Sarah Adams, Joann Ericksen, - Supervisors

Supervisory Committee

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

Internal Auditors

Joann Ericksen, Spvr
Jennifer Bloomquist

Ben Suker
Sarah Adams

Balance Sheets

	12/31/2022	9/30/2023
Assets		
Loans	133,249,214	140,304,691
Allowance for Loan Loss	-737,329	-733,225
Short-Term Liquidity	277,812	-964,613
Discount on Loans	0	-27,658
Corporate CU Investments	12,789,226	12,606,496
Other Investments (mainly CDs)	127,995,379	119,961,605
Building & Land	1,177,241	1,141,045
Fixed Assets	429,989	521,902
Other Assets	3,523,546	4,239,814
NCUSIF Deposit	2,440,290	2,450,525
TOTAL ASSETS	281,172,414	279,500,582

Liabilities & Capital

Member Savings & Certificates	252,532,150	249,313,497
Accounts Payable	370,818	-284,899
Dividends Payable	107,003	396,137
Member Capital	28,162,443	30,075,847
TOTAL LIAB. & CAPITAL	281,172,414	279,500,582

Statements of Equity/Loans/Shares

	12/31/2022	9/30/2023
Beginning Capital	25,217,009	26,947,760
Regular Reserve	1,214,683	1,214,683
Net Income	1,730,751	1,913,405
TOTAL CAPITAL	28,162,443	30,075,848
Vehicle Loans	48,589,925	46,916,332
Consumer Loans	10,521,495	13,838,889
Real Estate Loans	71,589,603	76,881,512
Unsecured Loans	2,548,192	2,667,958
TOTAL LOANS	133,249,214	140,304,691
Primary Share	70,789,215	65,235,626
Money Market	97,200,624	81,422,787
Share Certificates	27,421,991	45,719,136
Checking	50,380,523	49,500,682
IRAs	6,739,797	7,435,265
TOTAL SHARES	252,532,150	249,313,496
NET LOAN CHARGE-OFFS	12,569	7,696
NUMBER OF MEMBERS	17,532	17,908
NET CAPITAL/ASSETS	9.88%	10.76%
RETURN ON AVE CAPITAL	6.27%	6.54%