

BOARD CHAIRPERSON STEVE'S REPORT

Greetings. My name is Steve Erdman and I am the Board Chairman. In 2023 and so far in 2024, we have again experienced success. MVFCU continues to grow and compares very favorably with other financial institutions. 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: Clearly, there are some global and national news and tensions of serious concern today both militarily and politically. From the national, state, and local economic perspectives there has been improvement. With 2020 Covid market interest rates dropped dramatically, then rose quickly to curb inflation. Then for the first time since 2020 the Federal Open Market Committee (FOMC) finally lowered in September 2024 the target rate for Fed Funds by 50bps to 4.75% to 5.00%. Inflation is down, employment is up, supply chain has improved, manufacturing is catching up and the DJIA has never been higher. The US economy continues improving. A recession did not materialize. Inflation is down from a recent high of 9% to about 2.50%. The FOMC has a goal of 2.00%. Unemployment in the US is 4.3%, MN 3.8%, Twin Cities 3.7%, and the Mankato MSA (Blue Earth and Nicollet County) just 3.3%.

Our field of membership today is the counties of Watonwan (pop 11K), Brown (25K), Blue Earth (67K), Nicollet (34K), Le Sueur (28K) and Waseca (19K). In 2022 we welcomed Northern Energy and in 2012 Kato Engineering Credit Unions to our membership. We were pleased and humbled when MVFCU was again voted Greater Mankato's #1 Best Bank or Credit Union for 2024 and #2 for Best Place to Get a Mortgage. In 2023 assets grew by \$2M, investments shrunk by \$8M, loans grew by \$10M, deposits grew by \$1M and member owned capital grew by \$2.5M. Here through 9/30/24, assets grew by \$6M, investments grew by \$2M, loans grew by \$7M, deposits grew by \$5M and member owned capital grew by \$1.7M. Liquidity and cash flows are plentiful as over the next 12 months we have \$50M in investments maturing so an average of about \$4M per month to lend or reinvest. We will pay a \$90K Coop patronage dividend to members again in 2024. With that we'll have paid \$850K since 2015. We paid a small bonus dividend in 2022-23 and will again to all Northern Energy members in 2025. We'll also do something for Kato Engineering. To charity we donated \$62K in 2020, \$65K in 2021, 2022 \$45K, 2023 \$56K and in 2024 we plan \$55K. We also donate time and energy to several causes.

US GDP (gross domestic product) decreased 2.2% in 2020, grew 5.8% in 2021, grew 1.9% in 2022, grew 2.5% in 2023 and through Q2 2024 growing 2.8%. Good news is that salary growth is up. To fight inflation the FOMC rose the Fed Funds rate from almost Covid's 0% to 5.50% though down to 5.00% today. A one-year Treasury is 4.29% today (last year 5.43%), a 5-year Treasury is 4.06% (last year 4.80%) and 10-year Treasury is 4.23% (last year 4.80%). Prime is 8.00%.

Today we have 11.10% capital as a percent of assets which is the highest since at least 1990. So far in 2023 we've earned \$1.75M with three months to go.

Last year 2023 \$2.3M, 2022 \$1.7M, 2021 \$3.4M, 2020 \$3.4M, 2019 \$1.6M. The big two years were huge first mortgage refinance lending with 30-year mortgage rates in 2020 averaging 3.10% and in 2021 2.96% compared to 2024 at 6.81%. Our net operating expenses, as a percentage of average assets, continue to stay low, which is a measure of operational efficiency: just 2.16% at 6/30/24 versus Peer of 2.97% (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 (5.41% vs. 5.70%, great for borrowers) and on the fee & other operating income side, we netted 0.76% of average assets vs. Peer of 1.12%, so we fee less (great for transaction-oriented members). Our cost of funds were 1.53% vs 1.28% of average assets so higher than peer (good for savers). Salary & Benefits per full time equivalent average \$84K vs \$85K for the Peer. Yet one employee at MVFCU serves 516 members vs 352 for Peer. Our net loan charge offs half way through the year were 0.14% vs Peer 0.45%. Loan delinquency was 0.60% vs 0.74%.

Over the past 12 years, member owned capital has grown an average each year of 13.80% vs Peer of 6.08% / deposits 12.14% vs Peer 6.63% / loans 9.19% vs Peer 6.20% / membership 4.95% vs Peer 1.49% / delinquency + charge offs 0.93% of loans vs Peer 1.37% / return on assets 1.16% 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 high safety & soundness grades from NCUA, CPAs, CUNA, Bauer (5 of 5 Stars) and Weiss (A- / top 20% of the USA). NCUA calculates that given our low-risk balance sheet we'd only need 6% capital and we have over 11%. We had net loan charge offs so far in 2024 of \$144K / "negative" \$31K in 2023 / "negative" \$33K in 2022 / \$116K in 2021 / \$150K in 2020 / \$733K in 2019 / \$92K in 2018 / \$126K in 2017 / \$115K in 2016.

Through 9/30/24 membership is growing by 2.34%, our net long-term assets are only 13.93%, non-earning assets only 0.56%, net operating expenses only 2.18%, cost of funds up to 1.58%, loans are 58% of deposits (rest mainly investments), delinquent loans 0.78%, charge offs 0.12%, asset growth 3.05%, loan growth 7.08% and return on average assets 0.81%.

At 09/30/24, MVFCU had 18,148 members. So far this year we opened 920 new memberships (closed 652, for a net gain of 268 members). There were 11,081 checking accounts, 16,497 MasterCard debit cards, 2,363 MasterCard credit cards, 10,061 active online banking users, and 7,947 active mobile banking users. Members used their debit cards 1.8 million times in 2023 and project 1.9 million times in 2024. At MVFCU, members held 38,860 savings and 7,661 active loan accounts. Today we have 34 F/T and 6 P/T employees (4 employees working remotely). **Please let us know anytime how we might serve you better. Thanks!**

BOARD TREASURER SANDY'S REPORT: I am the Board Treasurer. My narrative report and our financials are in the Annual Report. Highlights are members totaling over 18,000, assets of \$290 million, deposits of \$258 million, outstanding loans about \$151 million, investments about \$137 million and member owned capital, retained earnings, over \$32 million. Capital to assets is over 11%, the highest since at least before 1990. We have about \$50 million in investments maturing over the next 12 months so liquidity is very strong. Your credit union is in very solid condition.

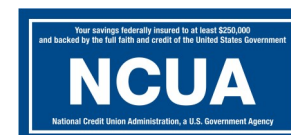


Serving Blue Earth,
Nicollet, Le Sueur,
Waseca, Brown &
Watonwan Counties

Greater Mankato's Community Credit Union Since 1934

89th ANNUAL MEETING October 29, 2024

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.....Melissa Bublitz
Declaration Of A Quorum.....Melissa Bublitz
2023 Minutes.....Melissa Bublitz
Report Of Nominating Committee.....Michael Blaine
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.....Susan Arntz, Mankato's City Manager
(Since 2020)

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 2025 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 Clifton, Larson, Allen, other external reviews, and our monthly Internal Auditors' reports. In 2023, the SC reviewed 330 loan files and, thus far in 2024, 313 loan files have been reviewed. Additionally, we review all new and closed accounts. Our confidential Mankato Post Office Box is 4126. Please feel free to contact us with any questions or concerns.

STATEMENT OF FINANCIAL CONDITION (also \$176M sold mortgage loan servicing portfolio at 9/30/24)

Income Statements

	12/31/2023	9/30/2024
Interest on Loans	6,654,475	6,130,467
Income from Investments	2,313,400	2,557,387
Other Operating Income	2,319,953	1,692,042
TOTAL GROSS INCOME	11,287,828	10,379,897
Employee Compensation & Benefits	2,608,983	2,198,464
Travel & Conference Expense	43,841	33,290
Association Dues	54,082	41,403
Office Occupancy Expense	184,740	123,450
Office Operations Expense	2,139,572	1,717,139
Education & Promotion Expense	332,058	251,509
Loan Servicing Expense	438,857	378,009
Professional & Outside Services	303,592	239,642
Provision for Loan Losses	56,822	244,230
Member Insurance	0	0
NCUA Operating Fees	44,090	38,261
Interest on Borrowed Money	0	0
Membership Meeting Expense	16,947	0
Miscellaneous Operating Expense	13,504	8,523
TOTAL OPERATING EXPENSES	6,237,089	5,273,920
Dividends Paid to Members	--3,180,408	-3,387,060
Other Non-Operating Income*	382,978	27,761
Pre Net Income	2,253,309	1,746,248
NCUA Recapitalization Expense	0	0
Post Net Income	2,253,309	1,746,248

Board Members

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

Management

Nick Meyer, President / CEO
Trent Talle, Executive VP
Trinette Risting, VP of Operations
Ben Suker, VP of Development
Sarah Adams- MSA Manager
Joann Ericksen- Supervisor

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

	12/31/2023	9/30/2024
Assets		
Loans	142,903,395	150,486,659
Allowance for Loan Loss	-826,260	-936,513
Short-Term Liquidity	161,998	-2,411,214
Discount on Loans	-24,892	-16,595
Premium Participation Loans	0	22,832
Corporate CU Investments	13,430,662	18,414,879
Other Investments (mainly CDs)	119,386,192	116,160,950
Building & Land	1,130,166	1,094,828
Fixed Assets	514,646	516,080
Other Assets	4,258,048	4,079,315
NCUSIF Deposit	2,454,445	2,452,152
TOTAL ASSETS	283,388,399	289,863,374
Liabilities & Capital		
Member Savings & Certificates	253,161,338	258,004,732
Accounts Payable	-717,089	-1,056,397
Dividends Payable	528,398	753,039
Member Capital	30,415,752	32,162,000
TOTAL LIAB. & CAPITAL	283,388,399	289,863,374
Statements of Equity/Loans/Shares		
	12/31/2023	9/30/2024
Beginning Capital	26,947,760	29,201,070
Regular Reserve	1,214,683	1,214,683
Net Income	2,253,309	1,746,248
TOTAL CAPITAL	30,415,752	32,162,000
Vehicle Loans	50,468,319	52,276,708
Consumer Loans	10,761,257	10,617,403
Participation Loans	0	434,742
Real Estate Loans	78,858,996	84,515,217
Unsecured Loans	2,814,823	2,642,590
TOTAL LOANS	142,903,395	150,486,660
Primary Share	64,561,783	64,231,766
Money Market	79,404,125	80,108,767
Share Certificates	51,948,987	57,690,505
Checking	49,980,425	47,735,100
IRAs	7,266,017	8,238,593
TOTAL SHARES	253,161,338	258,004,732
NET LOAN CHARGE-OFFS	[-32,109]	133,977
NUMBER OF MEMBERS	17,835	18,148
NET CAPITAL/ASSETS	10.02%	11.10%
RETURN ON AVE CAPITAL	7.63%	7.43%