



# 2018 ANNUAL REPORT



MID-HUDSON VALLEY FEDERAL CREDIT UNION

## CHAIRMAN & PRESIDENT'S REPORT



**Gary E. Anderson**  
Chairman of the Board



**Wayne Winkler**  
President/CEO

We want to thank the members of the Mid-Hudson Valley Federal Credit Union for a very successful year in 2018. Your continued support has enabled the credit union to reach a significant financial achievement and enhance the products and services offered to our members. Your credit union is committed to guiding and serving our members' financial needs and strengthening the communities and neighborhoods where they live and work.

In March 2018, MHV surpassed \$1 billion in assets, an important milestone and reflection of consumers choosing MHV as their trusted financial partner. We now proudly provide credit union services to over 78,000 members. From our humble beginning in 1963 with 10 members and \$50 in assets, MHV is now the 20th largest credit union in New York State. This achievement is a testament to our commitment to financial viability through sustained growth, profitability and member satisfaction.

Demographic changes in our membership and the Mid-Hudson marketplace we serve necessitated a need to update our Brand statement to differentiate ourselves from other financial institutions and communicate our commitment to our members. We believe our new Brand Statement "Guiding you to discover your financial possibilities wherever you are on your journey," is a clear reflection of our culture and commitment to our membership. The project involved the rebuilding and launching of a new website, the modernization and rebranding of our Saugerties, Hurley Avenue, Highland and Rhinebeck Branches and modification to our brand statement. As a full service, community-minded credit union we are committed to providing you, our member,

with the guidance, products, services, and convenience you need to navigate every stage of your personal financial journey.

We believe that investment in technology is a key element to growth and maintaining a competitive position in the marketplace. The implementation and deployment of new technology is essential to drive efficiencies, remain relevant and provide a high level member experience to our membership. We continue to enhance our digital platform and invest in applications to provide our members with a consistent, convenient and secure way to access their accounts across all delivery channels. In 2018, we launched a new, user-friendly online deposit and loan application. Members can apply for a loan or credit card, or open a deposit account, online anytime, anywhere, from our website or Mobile App.

Digital transformation in the financial services industry is becoming increasingly mainstream. The credit union is experiencing a growing shift by our members to digital delivery channels. Today, 47% of our membership, or 36,746 members, are actively using Online Banking. Our Mobile Banking application continues to increase as well, with 23,390 active users representing 30% of our membership.

As quickly as the adoption rate of digital technology is increasing, so is the speed at which cyber-attacks are spreading. Cyber-attacks are becoming far more complex and persistent than ever before. Cybersecurity risk management has always been and always will be top of mind for our credit union. Safeguarding the privacy of our members' personal financial information is something we take very seriously and to that end, we continue to conduct extensive third party cybersecurity risk assessments.

In 2018, we offered several "value added" product offerings. Members took advantage of several certificate of deposit and low-rate loan promotions, and our \$2,000 off closing costs mortgage promotion was extremely popular with the membership. This past year MHV helped more people finance their vehicles than ever before, providing 6,611 vehicle loans to MHV members. We continued to make homeownership a reality by granting home mortgage loans to 596 members. MHV realizes how important local businesses are to the social and economic fabric of the communities we serve. Last year, we provided 328 local businesses with member business loans to help grow their business.

Financially, your credit union continues to be a very strong, well-capitalized credit union and receives favorable audits and regulatory examinations. You will see this reported in our Treasurer's and Supervisory Committee reports.

Giving back to the communities we serve is something we are very proud of. Our commitment to social responsibility through staff volunteerism and charitable contributions has never been stronger. In 2018, we proudly increased our presence in numerous community outreach programs, financial literacy for elementary, middle and high schools, scholarships and volunteerism. In the latter half of 2018 alone, our staff volunteered 2,127 hours to local non-profits and charities. In addition, the credit union staff raised over \$12,000 from our Jeans for Charity program. This is above and beyond the funds donated through the Community Relations Committee.

For over half a century, the Board, Volunteers, Management and Staff have been committed to providing you with a safe and sound credit union, and we thank you for your continued membership, trust and loyalty. As your financial services partner we are here for you, wherever you are on your financial journey.

Gary E. Anderson

Wayne Winkler

**"WE BELIEVE OUR NEW BRAND STATEMENT GUIDING YOU TO DISCOVER YOUR FINANCIAL POSSIBILITIES WHEREVER YOU ARE ON YOUR JOURNEY, IS A CLEAR REFLECTION OF OUR CULTURE AND COMMITMENT TO OUR MEMBERSHIP."**

## MHV GIVES BACK

**\$155,000+**  
DONATED TO LOCAL CHARITIES & ORGANIZATIONS

**200+**  
COMMUNITY & CHARITABLE EVENTS ATTENDED & SUPPORTED

**800**  
CORPORATE PARTNERS

**4,200+**  
SERVICE HOURS VOLUNTEERED BY MHV EMPLOYEES IN THE COMMUNITY

**34**  
FINANCIAL EDUCATION SEMINARS PRESENTED FOR MEMBERS

**\$8,000+**  
IN COLLEGE SCHOLARSHIPS AWARDED TO HELP STUDENTS PURSUE HIGHER EDUCATION

## TREASURER'S REPORT



**Stephen Swanson**  
Treasurer



**Christopher Corallo**  
Senior VP/CFO

Throughout 2018, the Mid-Hudson Valley Federal Credit Union (MHV) remained on solid ground, recording strong financial results despite an uncertain future interest rate environment and unsettled international trade developments. MHV surpassed \$1 billion in assets for the first time, ending the year at \$1.037 billion. This represents an increase of \$49.1 million or 4.97% from year end 2017. MHV's return on assets was 0.63% and the capital ratio increased to 8.87%, up from 8.66% the prior year.

Net loans increased \$46.6 million or 6.73% with a majority of that increase recognized in our vehicle and member business loan portfolios which increased \$22.3 million and \$20.8 million, respectively. MHV originated \$115.0 million in vehicle loans, \$42.3 million in member business loans and closed \$70.1 million in residential real estate loans.

Total member deposits increased by \$43.2 million or 4.83%. A large portion of that growth was recognized in certificates of deposit which were up \$20.2 million or 9.35%. Many members took advantage of the certificate promotions that MHV offered throughout 2018. Savings accounts were up 4.59% while checking accounts were up 5.91%.

The financial strength of MHV continues to enable improved member services and value. In 2018, MHV introduced new online tools for members to open deposit and loan accounts, offered an innovative \$2,000 off closing cost mortgage promotion and the previously mentioned certificate promotions. We continue to provide competitively priced loan and deposit offerings to our membership.

By the end of 2018, following quarterly increases in interest rates by the Federal Reserve, financial markets were turbulent. The Dow Jones Industrial Average recorded its largest annual decline since 2008, ending the year at 23,327, a decline of 5.6%. The Federal Reserve is now considering patience in future rate increases, if any. As a result, 2019's rate forecast will continue to apply pressure on MHV's net interest margin. Current market interest rates will continue to result in loan rates remaining at lower levels, benefiting our membership. MHV's Management team closely monitors and models changing rate scenarios to assure our financial strength. These models reflect relatively low interest rate risk while remaining well capitalized.

Our financial strength and growth is a result of our membership's trust and loyalty in us. We remain committed to you, our membership, and will assure that your credit union maintains its financial strength and continues to provide you with competitive products and services.

**NET LOANS  
GREW BY  
\$46.6M OR  
6.73%**

**Stephen Swanson**

**Christopher Corallo**

## SUPERVISORY COMMITTEE REPORT



**Robert Pfeiffer**  
Chairman, Supervisory Committee

Without its core of loyal members, the Mid-Hudson Valley Federal Credit Union (MHV), as an institution, would not exist. It takes a committed and skilled Staff, an experienced Management team that is innovative and intent on serving and growing, and a Board of Directors dedicated to helping Management develop the necessary direction to meet member needs for financial opportunity and security and grow member loyalty.

The Supervisory Committee is a group of volunteer members, appointed yearly by the Board of Directors, to support the institutional mission and goals of MHV through its interaction with Staff, Management, and the Board of Directors. The committee is charged with overseeing MHV's operational and financial policies and representing the members' interests and concerns. The Supervisory Committee, when necessary, provides guidance to ensure the continued institutional soundness of MHV.

As a committee, we report our independent findings to the MHV Board of Directors and Management Team to help them strengthen the institution for the good of its members. Additionally, we provide assistance with member concerns and we work with the Management Team to guarantee that any concerns are resolved with fairness and correctness.

To help us more effectively carry out our supervisory role, we engage an independent accounting firm to conduct a continuous internal audit program of MHV policies and operations. The resulting audits, and our interactions with MHV staff and the audit team, enable MHV to manage the proper financial and operational controls needed to protect member assets. The Supervisory Committee meets regularly with the accounting firm to review operational areas and determine audit emphasis based on inherent risk.

During 2018, the Supervisory Committee oversaw the auditing of thirteen different MHV operational areas that included an increased audit emphasis on five areas with inherently higher risk. As part of the audit process for the year, nineteen internal audit reports were produced for review and action. All findings were reviewed by the committee and MHV Management. Additionally, we reviewed numerous MHV internal operating policies and procedures to ensure that they are appropriate for the continued success of MHV.

The committee also worked with the accounting firm audit team in 2018 to identify and place a focus on broader operating functions for MHV's various operational activities. Doing so allows for a more efficient audit process and more effective communication among the committee, audit team, and Management.

The Supervisory Committee engaged the accounting firm of Crowe, LLP to conduct the external audit of MHV's consolidated financial statements to properly oversee and ensure the soundness of the credit union's finances.

The results of the internal audit program overseen by the Supervisory Committee, our review of third-party audits and reviews, Management's commitment to strengthen and position MHV for sustained growth, and the independent audit of the consolidated financial statements, convince us that the Mid-Hudson Valley Federal Credit Union continues to provide financial security, stability, and opportunity for our members and the community.

**Robert Pfeiffer**

# MHV FINANCIALS

# MHV FINANCIALS

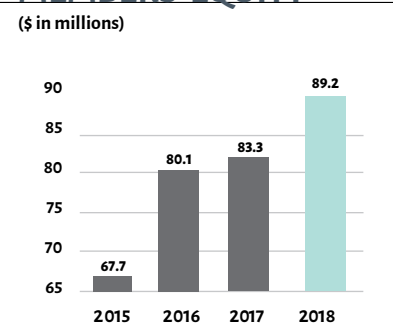
## Consolidated Statements of Financial Condition for the years ended December 31, 2018 and 2017 (Dollar amounts in thousands)

|  | 2018                | 2017              |
|--|---------------------|-------------------|
| <b>Assets</b>                                  |                     |                   |
| Cash and cash equivalents                      | \$ 59,577           | \$ 51,633         |
| Investments                                    | 180,646             | 188,071           |
| Loans held for sale                            | 744                 | 2,028             |
| Loans, net of allowance of \$6,905 and \$5,469 | 738,882             | 692,259           |
| Investment in life insurance                   | 9,833               | 9,577             |
| Real estate owned, net                         | 1,742               | 1,221             |
| Premises and equipment, net                    | 22,934              | 21,832            |
| NCUSIF deposit                                 | 8,899               | 8,479             |
| Other assets                                   | 13,319              | 12,407            |
| <b>Total assets</b>                            | <b>\$ 1,036,576</b> | <b>\$ 987,507</b> |
| <b>Liabilities and Members' Equity</b>         |                     |                   |
| <b>Liabilities</b>                             |                     |                   |
| Members' share accounts                        |                     |                   |
| Non-interest bearing                           | \$ 129,907          | \$118,767         |
| Interest bearing                               | 806,838             | 774,808           |
| Borrowed funds                                 | -                   | 50                |
| Accrued expenses and other liabilities         | 10,640              | 10,560            |
| <b>Total Liabilities</b>                       | <b>947,385</b>      | <b>904,185</b>    |
| <b>Members' Equity</b>                         |                     |                   |
| Statutory reserve, restricted                  | 12,446              | 12,446            |
| Undivided earnings                             | 68,554              | 62,122            |
| Acquired Equity from Mergers                   | 10,916              | 10,916            |
| Accumulated other comprehensive loss           | (2,725)             | (2,162)           |
| <b>Total members' equity</b>                   | <b>89,191</b>       | <b>83,322</b>     |
| <b>Total liabilities and members' equity</b>   | <b>\$ 1,036,576</b> | <b>\$ 987,507</b> |

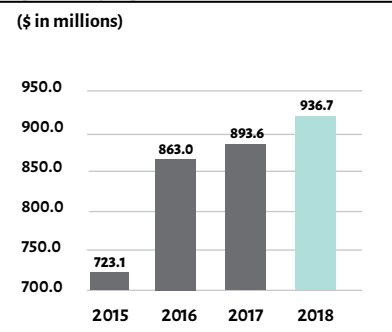
## Consolidated Statements of Income for the years ended December 31, 2018 and 2017 (Dollar amounts in thousands)

|  | 2018            | 2017            |
|--|-----------------|-----------------|
| <b>INTEREST INCOME</b>                                     |                 |                 |
| Loans, including fees                                      | \$ 34,765       | \$ 30,926       |
| Securities   | 2,926           | 2,995           |
| Other  | 984             | 700             |
| <b>TOTAL Interest Income</b>                               | <b>38,675</b>   | <b>34,621</b>   |
| <b>INTEREST EXPENSE</b>                                    |                 |                 |
| Members' share accounts                                    | 4,032           | 3,188           |
| Borrowed funds   | -               | 39              |
| <b>Total interest expense</b>                              | <b>4,032</b>    | <b>3,227</b>    |
| Net interest income  | 34,643          | 31,394          |
| Provision for loan losses                                  | 4,954           | 4,632           |
| <b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b> | <b>29,689</b>   | <b>26,762</b>   |
| <b>NON-INTEREST INCOME</b>                                 |                 |                 |
| Service fees and charges                                   | 12,240          | 11,158          |
| Net gains on sale of loans                                 | 274             | 417             |
| Net gains on sale of securities                            | -               | 122             |
| Other  | 1,808           | 1,052           |
| <b>TOTAL non-interest income</b>                           | <b>14,322</b>   | <b>12,749</b>   |
| <b>NON-INTEREST EXPENSE</b>                                |                 |                 |
| Salary and employee benefits                               | 18,050          | 22,546          |
| Occupancy and equipment                                    | 9,425           | 8,641           |
| Outside services   | 6,346           | 6,309           |
| NCUSIF assessments   | 261             | 203             |
| Other  | 3,497           | 3,436           |
| <b>TOTAL non-interest expense</b>                          | <b>37,579</b>   | <b>41,135</b>   |
| <b>Net income</b>  | <b>\$ 6,432</b> | <b>\$ 1,624</b> |

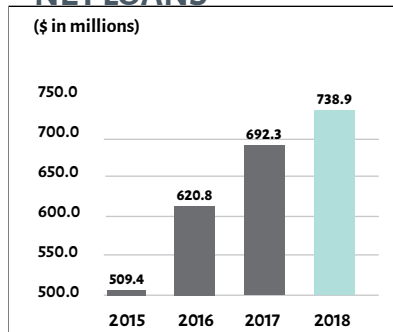
### MEMBERS' EQUITY



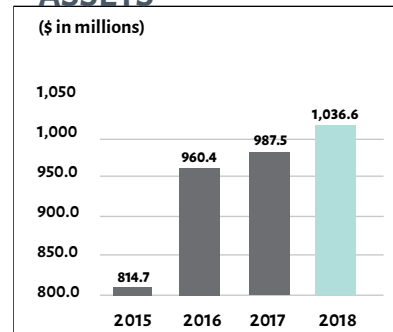
### SHARES



### NET LOANS



### ASSETS



# MHV BOARD OF DIRECTORS



**Gary E. Anderson**  
Chairman



**John Kelly**  
1st Vice Chairman



**Joseph Marino**  
2nd Vice Chairman



**Stephen Swanson**  
Treasurer



**Elizabeth Carr**  
Secretary



**Thomas Fox**



**William A. Ryan**



**Roger Miller**



**Brian E. DiFilippo**

## DIRECTORS EMERITUS

**Joseph T. Aiello**  
**Gordon L. Crow**

## SUPERVISORY COMMITTEE

**Robert Pfeiffer, Chairman**  
**Douglas Burt**  
**Elizabeth Carr**  
**William Marchetti, Jr.**  
**Kevin Snyder**

## EXECUTIVE MANAGEMENT

**Wayne Winkler**  
President/Chief Executive Officer

**Christopher Corallo**  
SVP/Chief Financial Officer

**Stephen Carle**  
SVP/Chief Lending Officer

**Christopher Gomez**  
SVP/Chief Retail Officer

**David Kellogg**  
Senior VP/Chief Technology Officer

## SENIOR MANAGEMENT

**John Dwyer**  
VP Business Services

**Jessica Fox**  
VP Risk Management

**Jill Hall**  
VP Support Services

**Alicia Hallam**  
VP Controller

**Judy Hamilton**  
VP Human Resources

**David Perry**  
VP Branch Operations

**Melissa Walsh**  
VP Marketing



Federally Insured by NCUA

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