



2023 ANNUAL REPORT

REPORT OF THE CHAIRMAN & PRESIDENT



GARY E. ANDERSON
CHAIRMAN OF THE BOARD



WAYNE WINKLER
PRESIDENT/CEO

DESPITE economic turbulence and a challenging financial climate in 2023, Mid-Hudson Valley Federal Credit Union (MHV) persevered with unwavering strength. Persistent inflationary pressures created a liquidity crisis that challenged the financial services industry, leading to closures and consolidation among banks. Yet, amidst the uncertainty, MHV stood firm, a steadfast anchor of safety & soundness. Guided by our core values and commitment to exceptional member service, we navigated these difficulties with agility and resilience. Through our dedication and focus, MHV stood strong, ready to support you on your journey towards financial success.

2023 further solidified the exceptional trust and resilience of our members. Undeterred by rising interest rates, our members continued to embrace borrowing opportunities and took advantage of attractive certificate of deposit offerings. In the face of ongoing economic challenges, our membership climbed to over 93,000 across seven counties, and assets exceeding \$1.4 billion, reflecting their unwavering loyalty. MHV's strong foundation for future growth was further reinforced by an increase in capital levels, solidifying our commitment to innovation and member success.

Our solid capital position, strong earnings, consistent positive audits, and regulatory exams underscore our commitment to safeguarding your trust. At MHV, vigilance in managing risk and safeguarding your financial accounts and personal information remains paramount. These items will be reported in more detail in the Treasurers and Supervisory Committee reports.

Building on this foundation of financial strength, the payment revolution has transformed expectations in today's financial landscape. That's why in 2023, we launched the Zelle platform, making instant and secure peer-to-peer payments a breeze. To further empower small business owners, we invested in a dedicated business banking platform, scheduled to be launched in the Fall of 2024. This platform will provide the tools necessary to thrive in an environment where real-time transactions are increasingly becoming the standard. At MHV, we're committed to delivering a seamless and empowering digital experience for every aspect of your financial life, ensuring control and flexibility remain firmly in your hands.

True to our brand statement, "Guiding you to discover

your financial possibilities wherever you are on your journey," the MHV Investment & Retirement Center remains a cornerstone in helping members achieve their financial goals. As of December 31, 2023, we proudly served more than 2,800 clients, managing \$301 million in Assets Under Management. Our commitment to your success extends beyond managing assets. We are dedicated to constantly improving accessibility, communication, and innovation within the program.

In a year where inflation squeezed budgets for local nonprofits and community organizations MHV's commitment to serving and strengthening our communities had never been more vital. At MHV "people helping people" is part of

our mission, it is the embodiment of the guiding principles the credit union movement was founded upon. This year, we expanded our impact through:

- **Financial Empowerment:** We invested in financial literacy, holding 70 workshops reaching 696 adults and 1,357 youth. From budgeting basics to building credit, these sessions equipped individuals with the tools to confidently navigate their finances.
- **Strengthening our Partnerships:** We partnered with 95 local non-profits and community organizations, providing over \$260,841 in financial support.
- **Volunteerism:** Our dedicated staff volunteered 2,087 hours, lending their time and expertise to causes they care about.

Through these efforts, we helped the communities we serve weather tough times and build a brighter future. We're proud to be a beacon of stability and support in the Mid-Hudson Valley, and we remain committed to making a difference, together.

The achievements of 2023 are a testament to the power of collaboration. We would like to thank our staff, management, Board of Directors, and Volunteers who all played a crucial role in our success. Their combined support, leadership and unwavering commitment ensured we faced new challenges with innovative solutions keeping exceptional member experiences at the heart of everything we do.

Above all, our greatest gratitude goes to you, our valued members. Your trust and continued partnership with MHV fuels our passion for progress. As we move forward together, we remain dedicated to being your trusted financial partner.

In the face of ongoing economic challenges, our membership climbed to over 93,000 across seven counties, and assets exceeding \$1.4 billion, reflecting their unwavering loyalty.

MHV AT A GLANCE

CORE VALUES

Safety + Soundness
Trust
Collaboration
Creativity
Integrity

OUR BRAND STATEMENT:

Guiding you to discover
your financial possibilities
wherever you are on
your journey.SM

GUIDING PRINCIPLES

1. Provide Exceptional Member Experiences
2. People Are Our Most Important Asset
3. Operational Excellence (Innovation, Simple, Frictionless, Efficient)
4. Commitment to Financial Education Throughout Life's Journey
5. Financial Performance is Essential to Future Success
6. Deliver Results Through Living Our Core Values

REPORT OF THE TREASURER



STEPHEN SWANSON
TREASURER



CHRISTOPHER CORALLO
SENIOR VP/CFO

AS 2023 began, inflation continued to persist prompting the Federal Reserve to increase interest rates with four additional modest hikes through July of 2023, raising the Federal Fund Rate to a range of 5.25% to 5.50%. Consequently, borrowing rates increased as well with the Prime Rate increasing to 8.50% and the 30-year mortgage reaching a rate in excess of 7%.

The combined effects of increases in interest rates, inflation, and prior governmental stimulus assistance had a notable effect on Mid-Hudson Valley Federal Credit Union (MHV). Historically, home values have declined as mortgage rates have increased, but that was not the case in 2023. The combination of higher mortgage rates and high home values made new homes less affordable for the first-time homebuyer. At the same time, it made it unattractive for homeowners with a lower rate mortgage to sell and purchase a new home. This resulted in lower number of first mortgage originations than 2022, however, home equity originations increased. Total mortgage originations were \$80.2 million in 2023.

Demand remained strong for vehicle financing with MHV funding \$142.9 million in auto loans. For depositors, our members took advantage of higher CD rates that had not been seen in many years, with CD balances increasing \$132.2 million or 62.9%. The transfer of balances to higher earning CD's coupled with the higher cost of loans, goods, and services

resulted in a decline in core deposits of \$146.1 million. Total deposits were down slightly by 1.09%

The extended period of low interest rates since 2009 resulted in many financial institutions extending the maturity of their investment portfolios to increase their rate of return. In early 2023, when the need for liquidity arose, Silicon Valley, Signature, and First Republic banks did not have the ability to support that need without taking substantial investment losses, resulting in the failure of each of those institutions.

MHV's Management team, in conjunction with the Asset Liability Committee, has done an excellent job in managing the change in interest rates and balance sheet mix. MHV has not taken undue risk and maintains sufficient liquidity. MHV had strong earnings in 2023 of \$12.4 million, a net interest margin of 3.43%, and increased our capital ratio to 10.12%. Strong earnings and capital allows MHV to make further investments in our products, technology, and services to improve your member experience. In 2024, we have planned improvements to your digital banking experience.

We thank you for your continued trust in MHV. We continue to be well capitalized with strong asset quality, and we remain committed to our Guiding Principle that Financial Performance is Essential to Future Success and to our Core Value of Safety and Soundness.

1963 **60** 2023
YEARS STRONG

In August, MHV celebrated its 60th anniversary. From our first day, when we boasted \$50 in assets, MHV has grown to a \$1.4 billion credit union serving seven counties and 93,000 members across the Hudson Valley.

We owe an enormous thanks to you, our members, for trusting us on your financial journey, and to our staff for delivering exceptional member experiences.





WILLIAM MARCHETTI, JR.
CHAIRMAN, SUPERVISORY COMMITTEE

REPORT OF THE SUPERVISORY COMMITTEE

THE Supervisory Committee is comprised of 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, Board of Directors and Auditors. The committee is charged with overseeing MHV's operational and financial policies and representing the members interests and concerns, by reporting our independent findings to the MHV Board of Directors and Management Team to help them strengthen the institution for the good of its members. The Supervisory Committee, when necessary, provides guidance to ensure the continued institutional soundness of MHV. Additionally, we provide assistance with member concerns, and we work with the Management Team to guarantee that any concerns are resolved with fairness, correctness and in a timely manner.

The Supervisory Committee continued to engage the accounting firm of Cherry Bekaert to conduct the internal audit 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. While we consistently conducted yearly audits of specific operations, we have and will continue to review the scope of the audits, which are above NCUA minimum requirements.

During 2023, the Supervisory Committee oversaw the auditing of 13 different MHV operational areas that included 10 areas with inherently higher risk and 3 of medium risk. As part of the audit process for the year, 12 audit reports were produced for review and action, 12 were rated Satisfactory with 1 area needing improvement. 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 Supervisory Committee continued to engage 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 committee does meet with Crowe during the year to ensure effective and timely communication as we work toward the results of the yearly external audit. They have rendered an opinion, that the consolidated financials are in accordance with accounting principles generally accepted in the United States.

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.

With **2,087 hours**
of **volunteerism** last year,
the credit union staff exemplifies
MHV's commitment to our community:

165

community organizations helped

\$260,841

in financial support to those organizations

\$24,000

in Season of Giving donations

2,087

volunteer hours

34

Youth Financial Education sessions
serving over 1,357 youth

36

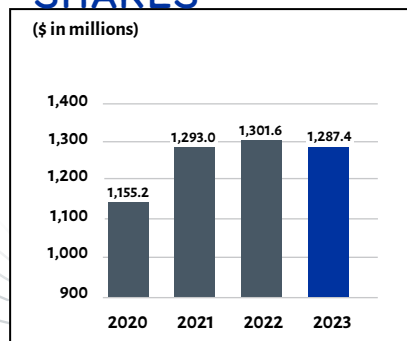
Adult Financial Education sessions
serving over 696 adults

FINANCIALS

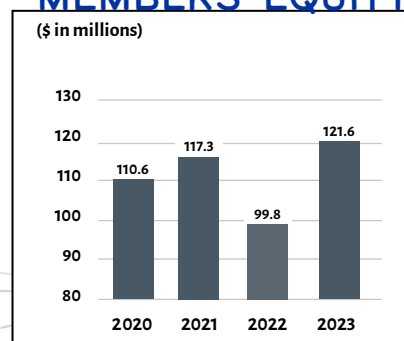
Consolidated Statements of Financial Condition for the years ended December 31, 2023 and 2022
(Dollar amounts in thousands)

	2023	2022
Assets		
Cash and cash equivalents	\$ 78,033	\$ 86,022
Investments	296,195	322,101
Loans held for sale	887	2,818
Loans, net of allowance of \$7,984 and \$6,733	991,419	941,410
Investment in life insurance	15,463	14,889
Real estate owned, net	-	-
Premises and equipment, net	21,260	22,444
NCUSIF deposit	12,283	12,431
Other assets	19,966	15,922
Total assets	\$ 1,435,506	\$ 1,422,290
Liabilities and Members' Equity		
Liabilities		
Members' share accounts		
Non-interest bearing	\$ 228,660	\$ 230,558
Interest bearing	1,058,714	1,071,032
Borrowed funds	10,000	-
Accrued expenses and other liabilities	16,499	20,922
Total liabilities	1,313,873	1,322,512
Members' Equity		
Statutory reserve, restricted	12,446	12,446
Undivided earnings	122,097	110,353
Acquired Equity from mergers	10,916	10,916
Accumulated other comprehensive loss	(23,826)	(33,937)
Total members' equity	121,633	99,778
Total liabilities and members' equity	\$ 1,435,506	\$ 1,422,290

SHARES



MEMBERS' EQUITY



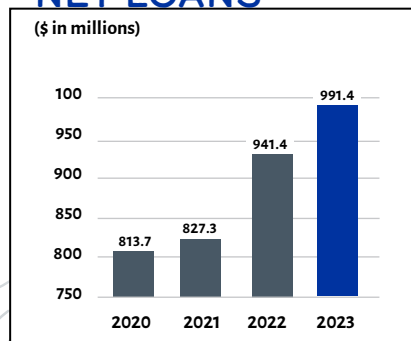
FINANCIALS

Consolidated Statements of Income for the years ended December 31, 2023 and 2022

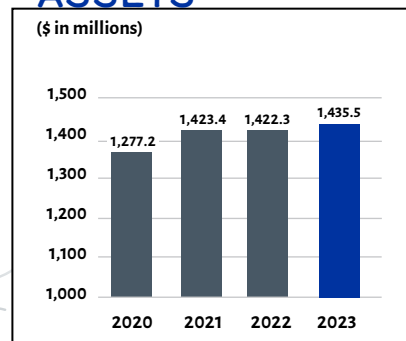
(Dollar amounts in thousands)

	2023	2022
INTEREST INCOME		
Loans, including fees	\$ 50,690	\$ 39,550
Securities	4,185	3,771
Other	2,725	1,899
Total interest income	57,600	45,220
INTEREST EXPENSE		
Members' share accounts	9,292	2,401
Borrowed Funds	346	-
Total interest expense	9,638	2,401
Net interest income	47,962	42,819
Provision for loan losses	3,749	1,242
Net interest income after provision for loan losses	44,213	41,577
NON-INTEREST INCOME		
Service fees and charges	15,044	15,218
Net gains on sale of loans	462	380
Recognized increase in securities valuation	-	-
Other	1,974	2,620
Total non-interest income	17,480	18,218
NON-INTEREST EXPENSE		
Salaries and employee benefits	24,921	22,461
Occupancy and equipment	11,924	11,053
Outside service	8,581	7,958
NCUSIF assessments	236	226
Other	3,617	5,576
Total non-interest expense	49,279	47,274
Net income	\$ 12,414	\$ 12,521

NET LOANS



ASSETS



MHV BOARD OF DIRECTORS



GARY E. ANDERSON
CHAIRMAN



JOHN KELLY
1ST VICE CHAIR



ELIZABETH CARR
2ND VICE CHAIR



STEPHEN SWANSON
TREASURER



ROBERT PFEIFFER
SECRETARY



THOMAS FOX



WILLIAM A. RYAN



ROGER MILLER



BRIAN E. DIFILIPPO

SUPERVISORY COMMITTEE

William Marchetti, Jr., Chairman
Angela May, Secretary
Douglas Burt
Robert Pfeiffer
Kevin Snyder

EXECUTIVE MANAGEMENT

Wayne Winkler
President/Chief Executive Officer

Christopher Corallo
SVP/Chief Financial Officer

Stephen Carle
SVP/Chief Lending Officer

Jonathan Cilley
SVP/Chief Information Officer

SENIOR MANAGEMENT

Charles Broe, VP Asset Protection

Jessica Fox, VP Risk Management

Alicia Hallam, VP of Finance + Controller

Emily Kiernan, VP Digital Banking

James Moran, VP Mortgage Lending

David Perry, VP Business Banking + Cash Management

Megan Quenzer, VP Human Resources

Nicole Tompkins, VP Retail Banking and Wealth Management

Christopher Trocino, VP Business Services



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Federally Insured by NCUA
NMLS# 411955