



2022 ANNUAL REPORT



GARY E. ANDERSON
CHAIRMAN OF THE BOARD



WAYNE WINKLER
PRESIDENT/CEO

REPORT OF THE CHAIRMAN & PRESIDENT

2022 was a very successful year for Mid-Hudson Valley Federal Credit Union (MHV). Despite dealing with the economic headwinds and the looming threat of a potential recession, your credit union remains confident, financially strong, and well positioned strategically to provide financial services to our members during these uncertain financial times. We remain steadfast in our commitment to delivering upon our Guiding Principles in meeting the individual needs of our members as they navigate through their financial journey.

Highlighted by strong earnings, membership growth, and capital appreciation, our membership continued to grow in 2022 and increased 6% to 90,657. Our capital level increased to 9.40%, providing a sound financial base for credit union operations. We continue to prudently manage risk throughout the credit union. We remain vigilant relative to cybersecurity, risk management and fraud. Safeguarding our members' financial accounts and personal financial information has always been, and always will be, paramount for MHV.

From a safety & soundness standpoint, your credit union continues to be well-capitalized and received favorable audits and regulatory exams from our regulator, the National Credit Union Association. These items will be reported in more detail in the Treasurer and Supervisory Committee reports.

Throughout 2022, the Federal Reserve aggressively increased interest rates to their highest level in fifteen years in its battle against inflation. This presented an additional financial burden on our members but did not eliminate their need to borrow from MHV. To meet this need we continued to provide lending products to our members resulting in net loan balances increasing 13.8%. MHV provided our members with \$103 million in mortgages and \$165 million in vehicle loans. On the other hand, 2022 was rewarding for our savers at MHV as many members took advantage of several high-rate certificate of deposit offerings.

In January, we opened our first full-service retail Branch in Westchester County in the city of Peekskill to serve our newly expanded field of membership. We are excited by the opportunity to provide much needed credit union services to the Peekskill community and surrounding areas.

In June, MHV was recognized by Forbes, the preeminent business journal in America, as a Best-In-State Credit Union. Forbes partnered with an independent market research firm to conduct an in-depth customer satisfaction survey with citizens from all 50 states. Customers provided an overall satisfaction score and answered whether they would recommend the financial institution they do business with to family and friends. This award is a testament to our staff's unwavering dedication and commitment to our credit union and the members we serve. At MHV, our Guiding Principles and Core Values shape our culture and drive our success as a community-minded credit union.

Our credit union employees live and work in the communities we serve. They support their communities through volunteerism, financial education programs, and financial contributions. In 2022, we partnered with 90 local non-profit and community organizations, donating over \$250,000. Our contributions have supported educational, physical and mental health programs, and local community development. We capped the year off with our "Season of Giving" in which we surprised 12 non-profits throughout the Mid-Hudson Valley with a \$2,000 donation to help people in need during the holiday season.

Looking to the future, we are expanding our mortgage services and small business operations throughout the Mid-Hudson Valley. We are committed to helping our members realize the dream of home ownership and our small business owners in achieving their financial goals. We remain committed to investing in new technologies to enhance our digital platforms, providing you with a broader array of self-service applications and a frictionless member experience.

We move forward to 2023 in a strong financial position with a positive outlook. We have the confidence in our ability to continue to provide premier financial services to our members. This is only possible through the leadership of our staff, management, executive team, and the leadership and support of our Board of Directors and Volunteers. Most importantly, thank you for your membership and confidence you continue to place in MHV as your trusted financial partner.

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



WILLIAM MARCHETTI, JR.
CHAIRMAN, SUPERVISORY COMMITTEE

REPORT OF THE SUPERVISORY COMMITTEE

THE Mid-Hudson Valley Federal Credit Union (MHV) recognized earnings in 2022 of \$12.3 million, increasing our capital ratio to 9.40%. MHV utilizes this capital to invest in our membership and in 2022 opened our 14th office, our first in our expanded Field of Membership, in Peekskill, NY.

In 2022, MHV assisted members by providing over \$360 million in mortgages, member business loans, vehicle financing, and personal loans. The record loan volume in 2022 resulted in considerable loan growth of \$114.1 million, or 13.8%, with the most significant growth in vehicle loans. As interest rates increased throughout 2022, MHV offered attractive promotional rates on 15-month, 18-month and 21-month certificates of deposit resulting in approximately \$70 million in these term certificates and modest deposit growth.

Following two years of stimulus programs which contributed to significant growth in deposits, the U.S. economy began to face numerous headwinds in 2022. Pent-up consumer demand, expanded purchasing power, supply chain constraints, and increased energy costs due to the war in Ukraine had a direct effect on the cost of goods and services, resulting in the highest inflation rates since the 1980's. Meanwhile, job growth remained strong resulting in the lowest unemployment rate in over 50 years. To slow down an overstimulated economy and persistent inflation, the

Federal Reserve embarked on a rate increase effort, raising the Fed Funds rate from a low of 0.25% in the first quarter of 2022 to 4.50% by year end. The Prime rate increased from 3.25% to 7.50% during that period.

Early 2023 expected a slowdown in upward Federal Reserve rate adjustments with a minor 25 basis point increase in January. Recent reports, however, continue to reflect a robust economy and stubborn inflation with the Fed Funds rate now expected to exceed 5.00% in 2023.

As many loan accounts are tied to market rates, member loan payments are beginning to increase and the cost of new borrowing has increased. MHV has increased rates on certificates of deposit with increases on other deposit accounts expected in 2023. While interest margins increased modestly in 2022, they are still lower than the historical margins prior to the pandemic, as loan yields declined much further over the past three years than that of deposit rates. MHV expects further interest margin improvement in 2023.

MHV continues to be well capitalized with strong liquidity and asset quality. The Asset Liability Committee, along with Management and the Board of Directors, are committed to our Guiding Principle that Financial Performance is Essential to Future Success and our Core Value of Safety and Soundness.

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 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, correctness and in a timely manner.

Starting in early 2022, we have engaged the accounting firm of Cherry Bekaert (formerly Accume Partners). This change was made based on Cherry Bekaert's experience with financial institutions of similar or larger size than MHV, as well as their breath of knowledge in areas like IT. This move will help us more effectively carry out our Supervisory role, in order to conduct a continuous internal audit program of MHV policies and operations.

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 2022, the Supervisory Committee oversaw the auditing of 12 different MHV operational areas that included 8 areas with inherently higher risk and 4 of medium risk. As part of the audit process for the year, 12 audit reports were produced for review and action, all 12 were rated Satisfactory. 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. They have rendered an opinion that the consolidated financials are in accordance with accounting principles accepted in the US.

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 MHV continues to provide financial security, stability, and opportunity for our members and the community.

With **2,726 hours of volunteerism** last year,
the credit union staff exemplifies
MHV's commitment to our community:

105
community organizations helped

\$250,000
in financial support to
those organizations

\$24,000
in Season of Giving donations

2,726
volunteer hours

34
Youth Financial Education sessions
serving over 1,400 youth

27
Adult Financial Education sessions
serving over 560 adults

Forbes recently partnered with a market research firm to determine which credit unions are the best. The firm surveyed over 26,000 people, asking them to rank their credit union based on: Overall satisfaction · Likelihood to recommend · Trust · Branch and digital services · Financial advice · Member service.

After scoring the responses, only 3.4% of credit unions across the country made the cut.

"I am so proud of our staff's unwavering dedication and commitment they show every day to our members and the communities we serve to achieve this recognition," said President and CEO Wayne Winkler. "Our Core Values and Guiding Principles shape our culture and drive our success as a community minded credit union."

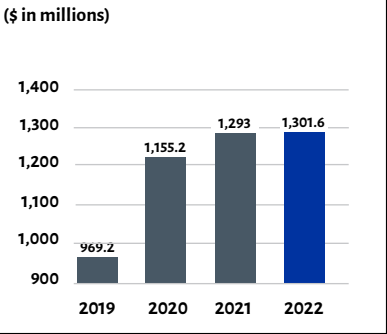


FINANCIALS

Consolidated Statements of Financial Condition for the years ended December 31, 2022 and 2021
(Dollar amounts in thousands)

	2022	2021
Assets		
Cash and cash equivalents	\$ 86,022	\$ 208,384
Investments	322,101	320,352
Loans held for sale	2,818	5,548
Loans, net of allowance of \$6,733 and \$7,371	941,410	827,271
Investment in life insurance	14,889	10,603
Real estate owned, net	-	-
Premises and equipment, net	22,444	23,392
NCUSIF deposit	12,431	11,884
Other assets	20,175	15,922
Total assets	\$ 1,422,290	\$ 1,423,356
Liabilities and Members' Equity		
Liabilities		
Members' share accounts		
Non-interest bearing	\$ 230,558	\$ 230,756
Interest bearing	1,071,032	1,062,276
Borrowed funds	-	-
Accrued expenses and other liabilities	20,922	13,060
Total liabilities	1,322,512	1,306,092
Members' Equity		
Statutory reserve, restricted	12,446	12,446
Undivided earnings	110,353	97,832
Acquired Equity from mergers	10,916	10,916
Accumulated other comprehensive loss	(33,937)	(3,930)
Total members' equity	99,778	117,264
Total liabilities and members' equity	\$ 1,422,290	\$ 1,423,356

SHARES

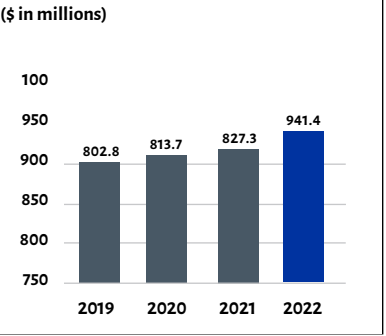


FINANCIALS

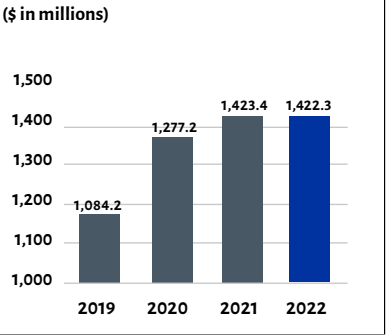
Consolidated Statements of Income for the years ended December 31, 2022 and 2021
(Dollar amounts in thousands)

	2022	2021
INTEREST INCOME		
Loans, including fees	\$ 39,550	\$ 38,225
Securities	3,771	2,552
Other	1,899	347
Total interest income	45,220	41,124
INTEREST EXPENSE		
Members' share accounts	2,401	3,207
Total interest expense	2,401	3,207
Net interest income	42,819	37,917
Provision for loan losses	1,242	(58)
Net interest income after provision for loan losses	41,577	37,975
NON-INTEREST INCOME		
Service fees and charges	15,218	13,711
Net gains on sale of loans	380	1,051
Recognized increase in securities valuation	-	16
Other	2,620	3,284
Total non-interest income	18,218	18,062
NON-INTEREST EXPENSE		
Salaries and employee benefits	22,461	21,225
Occupancy and equipment	11,053	11,329
Outside service	7,958	6,966
NCUSIF assessments	226	254
Other	5,576	3,082
Total non-interest expense	47,274	42,856
Net income	\$ 12,521	\$ 13,181

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
Douglas Burt
Angela May, Secretary
Robert Pfeiffer
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 Experience Officer

Jonathan Cilley
SVP/Chief Technology Officer

Melissa Walsh
SVP/Chief Marketing Officer

SENIOR MANAGEMENT

Charles Broe, VP Asset Protection

Jessica Fox, VP Risk Management

Alicia Hallam, VP Controller

Emily Kiernan, VP Digital Banking

James Moran, VP Mortgage

**David Perry, VP Business Banking &
Cash Management**

Megan Spada, VP Human Resources

Nicole Tompkins, VP Retail Banking

Christopher Trocino, VP Business Services



1099 Morton Blvd.
Kingston, NY 12401
845-336-4444
mhvfcu.com

Federally Insured by NCUA
NMLS# 411955