

2020 ANNUAL REPORT



REPORT OF THE CHAIRMAN & PRESIDENT



GARY E. ANDERSON
CHAIRMAN OF THE BOARD



WAYNE WINKLER
PRESIDENT/CEO

2020 was an unprecedented year for America, with the global COVID-19 pandemic and economic uncertainty affecting every one of us in some way. While the year didn't unfold the way Mid-Hudson Valley Federal Credit Union (MHV) had planned, we were able to quickly adapt to reimagine what the future might look like for our credit union and the members we serve. The critical thinking, collaboration and caring attitudes demonstrated by our staff in serving, staying connected and helping our members throughout such a difficult year was amazing and humbling. At MHV, we saw to it that we never compromised our number one "Guiding Principle", in providing exceptional member experiences. We quickly pivoted to working in a virtual environment so we could continue to serve our members, while taking the necessary precautions to ensure the safety and welfare of our staff.

The multiple effects of the pandemic rattled financial markets in 2020. The stock market hit lows in March and unemployment rates rose to a record high 14.7% in April, the highest level since the Great Depression, prompting the Federal Reserve to lower interest rates to essentially 0%.

At MHV, our members felt the financial impact; the pandemic provided financial opportunities and created financial hardships for many of our members. Record low interest rates fueled homebuyer demand and refinance activity, with MHV closing a record-high \$127.2m in mortgages.

At MHV, we embraced the credit union philosophy of "people helping people" like never before in providing financial relief to so many of our members and small business owners. In 2020, we granted \$8.9m in SBA's Paycheck Protection Program loans to help our member business owners keep their workforce

regulatory exams. You will see this reported in the Treasurer's and Supervisory Committee reports.

The pandemic has changed behavior in the way people work, shop, socialize and do their banking. While many of our members had already embraced digital options, we have seen a significant shift by our members in moving to online banking, mobile banking and the use of our contact center for the first time in 2020. The question remains, which new habits will stick permanently?

As the pandemic continues into 2021, MHV will remain attentive as to what will be the "new norm" and to our continued digital transformation strategy, in providing our members with intuitive, simple and easy to use mobile solutions. In 2021, MHV will be completing the final year of our three-year Retail Delivery and Contact Center transformation, in which we will be unveiling integrated voice biometrics, authenticated chat, a simplified money-transfer app, contactless cards and a re-design of our online deposit and loan app "Instant Open." This is a testament to MHV's commitment to providing exceptional member experiences through operational excellence.

MHV's commitment to corporate social responsibility has never been stronger. The pandemic has profoundly impacted the services, operations and people working in the non-profit sector in the communities we serve. MHV contributed to 200 various non-profits and charities, culminating with our "Season of Giving" in December, in which we surprised 31 non-profits in the Mid-Hudson Valley with a \$1,000 donation each.

As we turn the page on 2020, the road ahead in 2021 will be challenging, however we are optimistic about a brighter future. At MHV, we look forward to continuing our commitment to un-

derstanding the unique issues, challenges and opportunities facing our members, particularly in these unprecedented times. We continue to set a new foundation of optimism for growth opportunities beyond the

current and foreseeable pandemic challenges. With our recently approved Community Charter Field of Membership expansion, we are committed in providing equitable access for credit union services in all the counties we serve. We are confident that we can provide our membership with the innovative products and services they need to achieve their goals as they navigate their financial journey life cycle.

employed during the pandemic. In addition, we were there for our members who were experiencing financial hardship during the pandemic in making their mortgage, vehicle and personal loan payments, granting over 4,200 loan deferments.

Despite the challenges brought upon by the pandemic, your credit union continues to be a financially sound, well-capitalized credit union and continues to receive favorable audits and

**MHV CLOSED A RECORD-HIGH
\$127.2M IN MORTGAGES.**

75

Community organizations supported



\$180,080

Donated to local charities

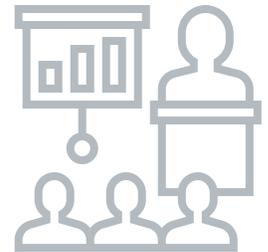
1,660

Volunteer hours contributed by MHV employees



47

Financial Education webinars



2,727

Financial Education participants



778

Podcasts downloaded

WINNER:

New York Credit Union Association Desjardins Financial Education Award



WINNER:

Association of Fundraising Professionals Mid-Hudson Chapter Leadership in Corporate Philanthropy Award

REPORT OF THE TREASURER



STEPHEN SWANSON
TREASURER



CHRISTOPHER CORALLO
SENIOR VP/CFO

A Core Value for Mid-Hudson Valley Federal Credit Union (MHV) is “Safety and Soundness”. Our continued monitoring of our financial position and concentration on balance sheet management allows for MHV to weather changes in our economy, expected or unexpected. The actions taken by MHV during the COVID-19 pandemic of 2020, continuing well into 2021, reflects our commitment to that Core Value and in our strong financial position in 2020.

New phrases became commonplace in 2020 such as “curbside pick-up”, “face mask required”, “social distancing” and “Zoom call”. With this shift, so too were the banking habits of many of our members. MHV was prepared due to our investments in digital technologies and able to remotely support our members when they needed us the most. The

pandemic head-on and was there to assist. MHV advanced \$8.9 million in loans through the Paycheck Protection Program with employees working well into the night to process these loans on behalf of our members. We closed over \$127.2 million in mortgage loans. MHV provided a safe haven for member’s funds where deposits grew by \$186.1 million, or 19.2%, primarily due to stimulus payments and lack of opportunity for members to spend. Many of our members incurred financial challenges due to the pandemic and MHV was there to provide payment relief. In addition, MHV provided Financial Education, including a “Create a Standout Resume” webinar, to assist members with their current financial position or in finding new employment.

The sudden, unexpected decline in interest rates compressed MHV’s net interest margin in 2020. MHV also added considerably to their provision for possible loan losses to account for the financial stress reflected by many in the current economy. These factors, coupled with an unprecedented increase in deposits in such a short period, lowered our capital ratio to 8.46% at year-end, an amount still considered “well capitalized” by the NCUA.

Short-term market rates may remain low for an extended period and further stimulus is forthcoming. As such, MHV will see continued net interest margin compression and balance sheet growth. Management and the Asset Liability Committee of MHV continue to manage our balance sheet to assure our Core Value of Safety and Soundness.

MEMBERS INCURRED FINANCIAL CHALLENGES DUE TO THE PANDEMIC AND MHV WAS THERE TO PROVIDE PAYMENT RELIEF.

activity in mobile banking, remote deposit capture and the utilization of our Call Center increased considerably.

The advent of the COVID-19 global pandemic resulted in 23.1 million people filing for unemployment, the closing of many businesses and interest rates declining 150 bps (approaching 0%) in just one month. In 2020, MHV faced the

MHV’S COVID RESPONSE:

\$30,080

in COVID grants to non-profits battling food insecurities



No disruption in services to members

0

Zero reduction in staff



Community Hero series spotlighting acts of selflessness in the community



WILLIAM MARCHETTI, JR.
CHAIRMAN
SUPERVISORY COMMITTEE

REPORT OF THE SUPERVISORY COMMITTEE

2020 was certainly a year of unprecedented events, which challenged us to find new and innovative ways in which to serve our members and continue the fundamentals of our operations. The Staff, Management, Board, Supervisory Committee as well as our Auditors worked to ensure the safety and soundness of the credit union. We started the year with face-to-face meetings, audits, reviews of policies and procedures, as well as other regulatory activities. We then quickly pivoted to processes which allowed us to conduct these activities via remote support. All these activities were conducted in a timely and accurate manner.

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. 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.

To help us more effectively carry out our Supervisory role, we have engaged an independent accounting firm of Nugent &

Haeussler, P.C., 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. While we consistently conducted yearly audits of specific operations, we have and will continue to review the scope of the audits and in 2020 began to enhance our audits with recently updated NCUA guidance given to all Supervisory Committees. We would like to note that our audits have and continue to be conducted above the minimum NCUA guidelines.

During 2020, 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.

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 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.

MHV'S MEMBERS' REVIEWS

“Best Credit Union around! Will be bringing all my business accounts over to you.”

- Daniel A.

“I use MHV because of the wonderful staff. Everyone is always extremely helpful and a pleasure to work with.”

- Jeremiah M.

“I received OUTSTANDING above and beyond service from the Kingston branch.”

- Harriet R.

“The MHV staff is always professional and accommodating whether on the phone or in person. Kudos!”

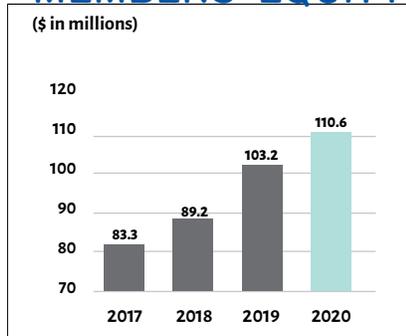
- Michele P.

FINANCIALS

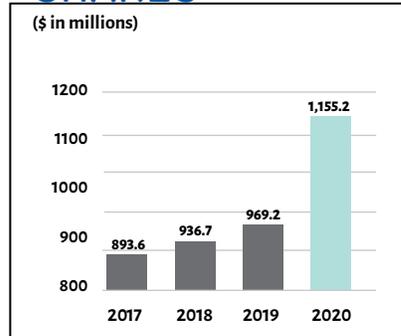
Consolidated Statements of Financial Condition for the years ended December 31, 2020 and 2019
(Dollar amounts in thousands)

	2020	2019
Assets		
Cash and cash equivalents	\$ 181,423	\$ 63,812
Investments	221,929	159,687
Loans held for sale	3,571	599
Loans, net of allowance of \$9,965 and \$7,480	813,724	802,841
Investment in life insurance	10,352	10,092
Real estate owned, net	337	449
Premises and equipment, net	22,665	23,856
NCUSIF deposit	10,333	9,214
Other assets	12,876	13,695
Total assets	\$ 1,277,210	\$ 1,084,245
Liabilities and Members' Equity		
Liabilities		
Members' share accounts		
Non-interest bearing	\$ 193,526	\$ 137,592
Interest bearing	961,721	831,568
Borrowed funds	-	-
Accrued expenses and other liabilities	11,338	11,866
Total liabilities	1,166,585	981,026
Members' Equity		
Statutory reserve, restricted	12,446	12,446
Undivided earnings	84,650	79,335
Acquired Equity from Mergers	10,916	10,916
Accumulated other comprehensive loss	2,613	522
Total members' equity	110,625	103,219
Total liabilities and members' equity	\$ 1,277,210	\$ 1,084,245

MEMBERS' EQUITY



SHARES



FINANCIALS

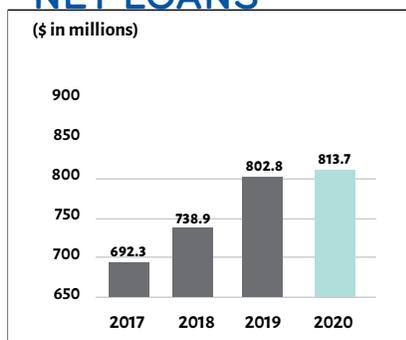
Consolidated Statements of Income for the years ended December 31, 2020 and 2019

(Dollar amounts in thousands)

	2020	2019
INTEREST INCOME		
Loans, including fees	\$ 39,644	\$ 38,832
Securities	2,472	3,270
Other	543	1,182
Total interest income	42,659	43,284
INTEREST EXPENSE		
Members' share accounts	5,331	5,796
Total interest expense	5,331	5,796
Net interest income	37,328	37,488
Provision for loan losses	5,371	4,083
Net interest income after provision for loan losses	31,957	33,405
NON-INTEREST INCOME		
Service fees and charges	11,534	13,092
Net gains on sale of loans	2,257	744
Recognized increase in securities valuation	-	1,797
Other	1,643	1,850
Total non-interest income	15,434	17,483
NON-INTEREST EXPENSE		
Salaries and employee benefits	21,111	19,460
Occupancy and equipment	10,981	9,983
Outside service	6,323	6,746
NCUSIF assessments	295	279
Other	3,366	3,639
Total non-interest expense	42,076	40,107
Net income	\$ 5,315	\$ 10,781

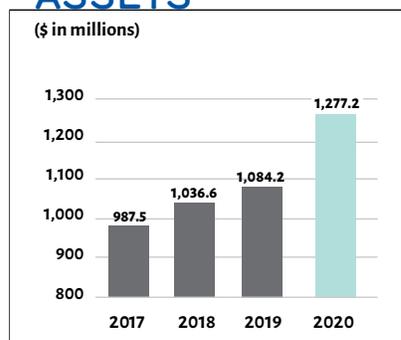
NET LOANS

(\$ in millions)



ASSETS

(\$ in millions)



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

DIRECTORS EMERITUS

Gordon L. Crow

SUPERVISORY COMMITTEE

William Marchetti, Jr., Chairman

Douglas Burt

Angela May

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 Retail Officer

Robert Mills

SVP/Chief Technology Officer

SENIOR MANAGEMENT

John Dwyer

VP Business Services

Jessica Fox

VP Risk Management

Alicia Hallam

VP Controller

Judy Hamilton

VP Human Resources

Michael Mattone

VP Community Impact

David Perry

VP Branch Operations

Melissa Walsh

VP Marketing



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Federally Insured by NCUA
NMLS# 411955