

ANNUAL REPORT

2020



Purpose

We believe everyone deserves a financial partner they can count on.

Mission

Everyone will have financial freedom and the ability to pay it forward.

Vision

To equip members with resources that engage, educate, and simplify banking so they can focus on what matters.





REPORT OF THE PRESIDENT & CEO

Kevin Straub



Looking back over the past year, I can say with great confidence that 2020 will forever be etched in memory for the challenges and the opportunity it presented. Please allow me to briefly share a few points of reflection.

Perseverance

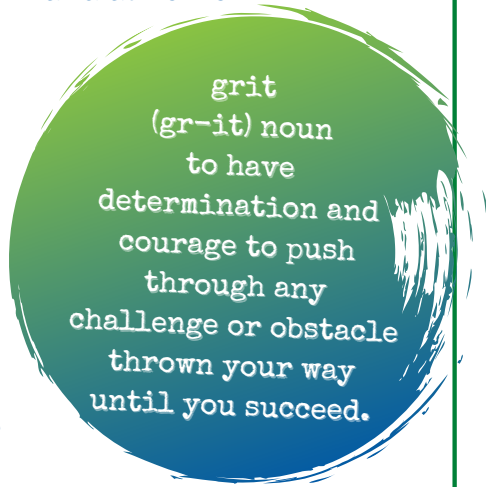
As challenging as the year has been, I am both grateful and proud of the perseverance demonstrated by the members and staff of Mutual 1st.

Grateful for the patience and understanding of our members, as we pivoted to close our lobbies, due to COVID, and implement multiple pandemic relief measures to assist our members. Proud of our employees, who showed grit in periods of uncertainty, due to COVID, and who were resourceful in navigating through changes at work and at home.

Perseverance was also very evident as the credit union deployed and integrated a long-planned internal system upgrade – amid a pandemic. This upgrade is essential for continued modernization and future advancements so we can equip you with resources that engage, educate, and simplify banking so you can focus on what matters most to you. See page 13 for more details.

Partnership

In times like this who you partner with matters. The credit union believes everyone deserves a financial partner they can count on. Opportunities to work together with members to lower their house payment, lower interest rates on debt, help find affordable financing for auto purchases, assist with saving for a special event, and adjust finances due to a layoff have been fulfilling beyond measure. This is the true spirit of a financial cooperative, people helping people.





REPORT OF THE PRESIDENT & CEO

Kevin Straub



Eye Toward the Future

The credit union is actively engaged in exciting new initiatives to enhance our ability to serve our members in the future. Mutual 1st has entered into an agreement to purchase a lot in Northwest Omaha and the associated due diligence is currently being completed ahead of closing on the property.

In addition, we recently purchased our first Interactive Teller Machine, which will allow members to conduct transactions via video conferencing. This service enhancement will take some time to implement but please know that it is coming.

The future is possible because of the hard work and dedication of the staff and member volunteers who serve you. I am thankful and appreciative of their commitment. It is a privilege to work alongside them and to be in a leadership position to serve you and learn your story. Thank you for membership and patronage as we celebrate 72 years in business.

Kevin Straub



11,917 Members  3.1%



REPORT OF THE CHAIR

Lowell Wilhite

As I write this, I can't help but reflect on what a challenging year we had in 2020. As we started last year, no one expected a global pandemic, a forced economic shutdown, a stock market correction and recovery, historically high unemployment, and the worst GDP report in history. In spite of all this, thanks to the efforts of our excellent leadership and staff, your credit union was up to the challenge and we are looking forward to 2021. I am pleased to report that the Mutual First FCU is as safe and strong as ever with a strong balance sheet.

We are already looking forward to and working on some major accomplishments in 2021 that will build a better member experience.



Mutual First had many accomplishments in 2020. Among those accomplishments were the following:

- Effective COVID-19 pandemic operational response
- Implemented a Board of Directors Self-Governance policy
- Continued pursuit of the strategic plan
- Completed a successful NCUA examination and independent audits
- Successfully implemented a new core processing system with new mobile and on-line interface platforms
- Hired our new CEO, Kevin Straub
- Implemented a new budgeting process
- Grew our balance sheet with assets growing dramatically to over \$111 million
- Improved significantly the Return on Assets (ROA) over 2020 while maintaining net worth
- Grew deposits
- Grew loans while total delinquencies percentage improved
- Improved the operating expense ratio



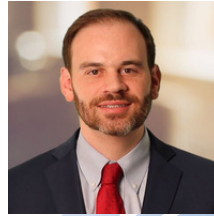
REPORT OF THE CHAIR

Lowell Wilhite

2020 Board of Directors



Scott Loos, Vice-Chair



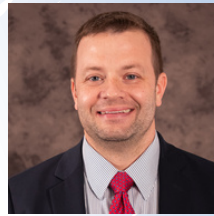
William Callahan, Treasurer



Sherri Griggs, Secretary



Mike Ware, Director



Seth McCune, Director



Mike Kosalka, Director

On behalf of our entire board, it is an honor and responsibility to be entrusted to ensure decisions at the highest level are made in our member's best interest. Our duty to you is central to every decision made.

Lowell Wilhite



FINANCIAL REPORT

Scott Stevens, VP and CFO



During 2020, the pandemic presented financial challenges to all areas of the economy and Mutual 1st was no exception. However, we were quick to adapt and continue to serve the membership.

Members entrusted an additional \$13.4 million in deposits during the year, with total assets reaching \$111.6 million. As members stayed home more during the year and received federal stimulus money, the additional funds grew member deposits by 16.6% to \$94.4 million.

While we had modified branch operations for part of the year, our members still had borrowing needs which we were able to fulfill. The mortgage rate environment reached all-time lows during the year and the membership took advantage. As a result, the credit union produced \$15.8 million in first mortgage loans which was three times more than either of the prior two years. Overall, the loan portfolio grew by \$5.4 million or 7.5%, ending the year at \$77 million.

Net income for the year was a strong \$511,000. These results finish at a healthy .49% return on assets (ROA) and exceeded the annual budget. Mutual 1st's net worth ratio continued to be strong at 8.39% which is well-above NCUA's well-capitalized standard of 7.00%.

Scott Stevens



STATEMENTS OF FINANCIAL CONDITION

Scott Stevens, VP and CFO

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Assets	2020	2019
Cash and Cash Equivalents \$	7,730,869	7,458,430
Investments \$	17,653,076	9,650,596
Loans Receivable, net of allowance for loan losses \$	76,115,833	70,737,660
Fixed Assets, at cost, less accumulated depreciation \$	4,126,754	4,197,685
Other Assets \$	6,013,617	4,947,375
Total Assets \$	111,641,149	96,991,746

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Liabilities and Retained Earnings	2020	2019
Savings Accounts \$	94,444,306	80,988,723
Borrowed Funds \$	5,500,000	6,125,000
Other Liabilities \$	2,371,540	1,091,508
Total Liabilities \$	102,315,846	88,205,231
Retained Earnings \$	9,373,710	8,862,769
Net unrealized holding gain/(loss) on investments available for sale \$	(49,407)	(76,254)
Net Retained Earnings \$	9,324,303	8,786,515
Total Liabilities and Retained Earnings \$	111,640,149	96,991,746

These preliminary numbers are subject to change based on the completion of the Petersen & Associates audit.



STATEMENTS OF INCOME

Scott Stevens, VP and CFO

	2020	2019
Interest Income		
Loans \$	4,599,771	4,320,630
Investments \$	168,228	225,809
Total Interest Income \$	4,767,999	4,546,439
Interest Expense		
Member Savings \$	699,678	632,746
Borrowed Funds \$	105,575	112,230
Total Interest Expense \$	805,252	744,976
Net Interest Income \$	3,962,746	3,801,463
Provision for Loan Losses \$	525,000*	605,000
Net Interest Income After Provision for Loan Losses \$	3,437,746	3,196,463
Other Operating Income \$	1,280,278	1,459,175
Other Operating Expenses \$	4,805,753	4,710,279
Net Income from Operations \$	(87,728)	(54,641)
Net Income \$	510,941	63,680

*Net Charge-offs \$512,821



CREDIT REVIEW COMMITTEE

Nick Helm, VP and COO

The Credit Review Committee (CRC) is responsible for the oversight and administration of the Credit Union's lending activities.

2020 Credit Review Committee

Nick Helm (chair) - Chief Operating Officer
Kevin Straub - Chief Executive Officer
Scott Stevens - Chief Financial Officer
Bruce Retzlaff - Senior Underwriter
Mike Howe - Blondo Branch & Mortgage Manager

Committee Responsibilities:

- Review and approve credit criteria used to underwrite credit applications.
- Recommend loan officers (underwriters with lending limit) for appointment by the Board and oversee their activities.
- Monitor credit collection activities and recommend loans and negative share accounts with no opportunity for recovery to be charged off by the Board.
- Review lending activities to ensure compliance with all applicable state and federal laws and regulations.
- Monitor the adequacy of, and operational compliance with the following policies, as well as schedules and guidelines associated with them:
 - Consumer Lending
 - Real Estate Lending
 - Member Business Lending
 - Indirect Lending
 - Loan Participation
 - Collection
- Review credit portfolio risk (quality and concentration) and portfolio performance (trends). As appropriate, direct actions (strategy) to address safety and soundness.
- Participate and be accountable for the resolution of audit and examination issues pertaining to the loan portfolio and related lending activities.
- Authorize a designate to execute and deliver agreements related to acquisition, management, and disposition of real estate owned (REO).
- As needed, obtain assistance from legal, accounting, or other advisors to perform the committee's responsibilities.





CREDIT REVIEW COMMITTEE

Nick Helm, VP and COO

Loans to Members:

Mutual 1st Federal's loan portfolio consists of consumer, credit card, small business, and real estate loans. Primary business for consumer loans consists of auto loans, signature loans, and checking lines of credit and credit cards. Real estate loans consist of mortgage and equity loans.

Assistance During COVID-19:

During this challenging time, the credit union continued to provide support to our members to make sure we upheld our commitment to help people in good and not-so-good times. Like so many, as we took significant measures to keep staff and members safe, we also understood the importance of the financial impact members were facing. That impact drove our response to provide help when it was needed the most. Some of the efforts implemented for the membership include:

- \$65,000 in member payment deferments
- \$4,000.00 in loan extension and modification fees waived
- Provided all members with available emergency low-interest loans

Nick Helm



2020 ORIGINATION SPOTLIGHT

Vehicle Loans

- 1,067 Vehicle Loans Funded

Home Loans

- 174 Home loans funded
- \$15.8M in Homes re-financed and purchases funded
- \$2.8M in Home Equity Loans funded
- \$3.2M in Home Equity Lines of Credit extended

Unsecured Consumer Loans

- 254 Unsecured Consumer Loans funded
- \$1.7M Loans Funded



SUPERVISORY COMMITTEE

Elizabeth Powell, Chair



Your supervisory committee is committed to protecting our membership and their interests by providing oversight of the operations and policies of Mutual 1st FCU, as well as its Board of Directors.

The volunteers who serve on this committee have various backgrounds and areas of expertise and use them as they actively participate in our monthly meetings.

We carefully review all of the examination reports of the Credit Union. Some examples are: quarterly reviews and the annual audit completed by Petersen & Associates (an independent audit firm); any examination by the National Credit Union Association (NCUA); IT audits; and other regulatory

oversight reports. We also completed several other reviews that are considered best practices for Supervisory Committees. In addition, one of our members attends every Board meeting throughout the year.

I'm pleased to report that the Credit Union received a clean audit opinion for the completed audit for 2019 and that your credit union is well managed and financially stable. We appreciate the opportunity to serve the membership of Mutual 1st FCU.

Elizabeth Powell

2020 Supervisory Committee

- Chris Downey
- Elizabeth Powell
- Karen Schwall
- Selvakumar Swaminathan
- Steven Yang



EDUCATION COMMITTEE

Amy Fauth, Chair

Our 2020 Plan as defined in the graphic below has been executed with positive outcomes.

This year we reviewed the Board orientation materials and made changes to videos and documents as well as eliminated any information that was no longer current. We are prepped and ready to welcome our new Board.

This spring we will begin to focus on regulatory training and preparation for the NCUA Exam.

Amy Fauth



2020 Education Committee

Sherri Griggs Adrian Heston

Dan Kloepfel Karen Schwall Amy Fauth

Education Committee 2020 Plan

•BSA/Regulatory
•Education committee review plan and prepare for new year

•NCUA Exam Webinar
•Harassment

SUMMER 2020

FALL 2020

WINTER 2020

SPRING 2021

Ongoing Education

•Board & Committee orientation (Due August 30th)
•Monthly CU Directors Newsletter
•Email Committee Chairs
•NCUA Webinar (New Volunteers)

•Prep for Board Elections and re-org meeting

•One conference per year
•Optional/with budget approval
•Ad hoc
•As new members board



**NOMINATING
COMMITTEE**
Seth McCune, Chair



Our 2020 efforts were focused on ensuring proper staffing and participation in each of our oversight committees, including the Membership Board of Directors. We are pleased to announce success in 2020 in this important area of focus.

Seth McCune

2020 Nominating Committee

Mike Kosalka Seth McCune
Elizabeth Powell Jill Stewart
Lowell Wilhite



CORE CONVERSION

In January 2020, we launched a new core processing system after extended research into our options. The successful launch was the result of a year of planning and hard work by a designated team of employees and representatives from Corelation, the company we worked with for the new system. The team identified all of the individual processes in every department and determined how those processes should work in the new system. The core system update went hand-in-hand with a new online and mobile banking vendor. Since the new core system is more modern, it gives us the opportunity to accommodate other interfaces such as this one. This allows us to broaden our horizons and provide better service to our membership. We have fewer manual work-around processes resulting in completing transactions faster and streamlining our procedures.

Before the launch, staff spent three weekends in testing and provided training for the remainder of the staff. The weekend before conversion, all staff came in on a holiday to prepare to go live.

In the future, members can expect additional features to online and mobile banking. There are many opportunities for our core system to work with additional vendors for enhancements for different products and services. Our main goal is to make your experience as seamless and efficient!

Core Team:

Amy Casella, Cheryl Dryak, Nick Helm, Adrian Heston, Mike Howe, Scott Stevens

Additional Contributing Staff:

Anthony Davis, Tim Fread, Krysta Hartline, John Lehman, Meredith O'Malley, Cindy Richardson, Angie Wilson

Amy Casella





COMMUNITY INVOLVEMENT

- In 2020 we were able to contribute to the Open Door Mission, Child Saving Institute, Urban League of Nebraska, and Big Brothers Big Sisters.
- While many of our traditional events were canceled or looked different than past years due to the pandemic, we still found ways to give back.
- Our staff made 527 sack lunches for the Open Door Mission. When they were delivered, we found out that was about the amount of lunches they make in an entire day!
- Our ever-popular Spirit Week raised money for Urban League of Nebraska with employees buying votes to subject their peers to a pie in the face, a bucket over the head of icy water, or a "re-decorated" office.
- Since we could not participate in Bowl for Kids' Sake in 2020, we donated much-needed funds to Big Brothers Big Sisters.
- We participated in Substitute Santa for Child Saving Institute and look forward to decorating their facility in 2021.

