IN YOUR CORNER

INDUSTRIAL CREDIT UNION



81ST ANNUAL REPORT

2022

1-2.....2021 Annual Meeting Minutes
3.....Statement of Financial Condition
4.....Supervisory Committee Report
5.....CEO & Board Chair Report

PREVIOUS YEAR'S MEETING MINUTES

CALL TO ORDER

Board Chair Michael Ashby called the 80th Annual Meeting to order at 6:15 PM on Wednesday, March 31, 2021 on the digital platform Zoom.

ROLL CALL

Board, Supervisory Committee members, and about 35 Industrial Credit Union members were present, representing the interests of Industrial Credit Union.

Board and Supervisory Committee members present: Michael Ashby (Board Chair), Rick Maricle (Board Vice Chair), Nikole Knauft (Board Secretary), Melissa Muhich (SC Chair), Dennis McGrew (Board Volunteer), Stanley Godek (Board Volunteer), Harold Henkel (Board Volunteer), Bonnie Drafs (SC Volunteer).

Industrial Credit Union Senior Management present: Brandon Hahnel (President/CEO), Rich Holcomb (VP/Finance), Vickie Skelton (VP/Operations), BJ Van Leeuwen (VP/ Lending).

MINUTES

Michael Ashby (Board Chair) requested a motion to approve the 2020 Annual Meeting minutes and the Statement of Financial Condition, which were included in the reports that had been distributed to members. This motion was made and seconded from the floor, and attendees approved unanimously.

REPORTS

Annual reports were distributed to the membership upon arrival via website link, including the CEO & Board Chair Report and the Supervisory Committee Report. Michael Ashby (Board Chair) presented the CEO and Board Chair report, and the Supervisory Committee Report for any member responses or questions. There were no questions regarding the presented material. All reports were unanimously approved, as per the aforementioned motion.

ANNUAL ADDRESS FROM CEO

Brandon Hahnel (President/CEO) provided a health check for the credit union. Industrial CU membership has increased, reaching 34,802 at the end of 2020 – a growth of 1,200. This is great news for the cooperative, showing that the CU can grow, even during tough times. The community seems to find Industrial CU attractive and valuable. The 'Core' membership – those who use the CU for most of their financial needs – is growing faster than the general membership, exemplifing the building of deeper relationships. In this area, the CU is very healthy.

Member deposits grew significantly in 2020, over 25%. Members saved more in 2020 – a trend seen across the industry. Loans grew as well, over 10% in 2020. Industrial CU consciously decided to continue to lend at full capacity during this pandemic, with consideration and sound practices. Industrial CU has been growing the loan portfolio faster than peers. In this area, the CU is healthy.

Net worth – the primary measurement of equity – grew by 10.4% in 2020, increasing Industrial CU's net worth to $24.5m. Regulators consider a credit union to be well capitalized if the ratio of net worth to assets is at least 7%. Industrial CU ended the year with a net worth ratio of 8.1%. The net worth ratio did decrease slightly from 2019 due to rapid growth of member deposits in 2020. This is neither good nor bad, just

PREVIOUS YEAR'S MEETING MINUTES *(continued)*

something to monitor. The CU anticipates more growth again after recovery from the pandemic. The goal of the CU is to reach 10% or higher net worth.

Highlights of 2020 include: CU total assets reached $307m in 2020 and loans grew $14.3m. Enhancements were deployed to members that included live chat, instant-issue debit cards, additional home loan types, and secure online membership applications.

As the CU moves through 2021, it looks forward to the following changes and additions:

- The Lynden branch is moving to a new, larger facility that will now include drive-up lanes. This location serves 2,200 members a month.
- A new suite of credit cards will be offered, including a rewards card.
- We will launch an instant transfer service to transfer money between any institutions that support Zelle.

Q & A

Michael Ashby (Board Chair) opened chat to member questions, which were addressed by Brandon Hahnel (President/CEO).

Q: *"How are deposit rates set? Why are they so low?"*

A: Industrial CU must compete with national interest rates. As the country works through an economic recession, rates get pushed down. Industrial CU has top-of-market rates compared to others in the area. Rate levels will be a cycle that changes over time.

Q: *"What does the CU invest its money in?"*

A: Industrial CU is safe, sound, and regulated in its investing. Investments primarily take the form of loans to members. Management also invests in high quality mortgage-backed securities. There are no corporate or 'big [oil/tobacco/etc.]' investments. The CU tries to keep investments in the county or state as much as possible.

ELECTION OF OFFICERS 2021

The Nominating Committee (NC), consisting of Michael Ashby, Melissa Muhich, and Brandon Hahnel, presented [by Michael Ashby] a slate of candidates in the Annual Report. SC Chair and NC member Melissa Muhich abstained presentation due to her reelection. Michael Ashby (Chair) declared that this was an uncontested election and asked the membership for approval of the slate of candidates as presented:

- Reelection of Nikole Knauft as Board Secretary
- Reelection of Stanley Godek as Board Volunteer
- Reelection of Rick Maricle as Board and Supervisory Committee Volunteer
- Reelection of Melissa Muhich as Supervisory Committee Chair

All candidates agreed to extend their terms. They were reelected without motion or vote, all with acclimation. Michael Ashby (Board Chair) invited the membership to become a volunteer with the Industrial Credit Union Board or Supervisory Committee.

ADJOURNMENT

There being no further business, Michael Ashby (Board Chair) called the 80th Industrial Credit Union Annual Meeting adjourned at 6:43 PM.

STATEMENT OF FINANCIAL CONDITION

ASSETS	2021		2020	
Loans to Members	$229,524,806	60.53%	$210,443,289	68.42%
Allowance for Loan Losses	$(1,616,549)	-0.43%	$(1,876,187)	-0.61%
Cash on Hand	$3,727,018	0.98%	$3,424,077	1.11%
Investments / Overnight Deposits	$133,588,070	35.23%	$83,264,482	27.07%
Fixed Assets - Net	$6,164,302	1.63%	$5,772,234	1.88%
Other Assets	$7,832,706	2.07%	$6,551,021	2.13%
Total Assets:	$379,220,353	100.00%	$307,578,916	100.00%
LIABILITIES & MEMBER DEPOSITS				
Member Deposits	$346,712,296	91.43%	$279,304,026	90.81%
Other Liabilities	$4,789,257	1.26%	$3,787,405	1.23%
Total Liabilities & Member Deposits	$351,501,553	92.69%	$283,091,431	92.04%
EQUITY				
Regular Reserves	$3,299,425	0.87%	$3,299,425	1.07%
Undivided Earnings	$25,048,979	6.61%	$21,655,264	7.04%
Reserve - Investments Market Value	$(629,604)	-0.17%	$(467,204)	-0.15%
Total Equity	$27,718,800	7.31%	$24,487,485	7.96%
Total Liabilities, Member Deposits & Equity	$379,220,353	100.00%	$307,578,916	100.00%

STATEMENT OF INCOME & EXPENSE

OPERATING INCOME	2021		2020	
Income from Loans	$11,313,578	64.50%	$10,657,286	65.50%
Income from Investments & Deposits	$287,842	1.64%	$384,949	2.37%
Non-Interest Operating Income	$5,937,847	33.85%	$5,228,380	32.13%
Total Operating Income	$17,539,267	100.00%	$16,270,615	100.00%
OPERATING EXPENSES				
Labor & Benefits & Other	$8,368,787	47.71%	$7,326,390	45.03%
Office Operations Expense	$5,628,211	32.09%	$4,905,780	30.15%
Total Operating Expenses	$13,996,998	79.80%	$12,232,170	75.18%
Income (Loss) From Operations	$3,542,269	20.20%	$4,038,445	24.82%
Allowance for Loan Loss	$772,295	4.40%	$1,681,544	10.33%
Total Non-Operating Gain (Loss)	$1,120,629	-6.39%	$386,339	-2.37%
Income (Loss) Before Dividends	$3,890,603	22.18%	$2,743,240	16.86%
Total Dividends & Interest Expense	$496,887	2.83%	$386,250	2.37%
Net Income After Dividends	$3,393,716	19.35%	$2,356,990	14.49%

SUPERVISORY COMMITTEE ANNUAL REPORT

2022 Report for the 2021 Calendar Year

As volunteer members of this committee, we are dedicated to ensuring the safety and soundness of our policies, procedures and practices as well as the financial position of Industrial Credit Union. One of our responsibilities is to confirm the credit union's financial condition is stated accurately. We work to ensure the accuracy of records, make sure member deposits are adequately protected and that operations are in compliance with all federal and state regulations, as well as our own bylaws, policies and procedures. We do this with the assistance of the credit union's Internal Auditor, Risk Management Department, and accounting firms conducting independent reviews of our financials and operations.

The credit union successfully passed a safety and soundness examination conducted by the State of Washington Department of Financial Institutions and National Credit Union Association. The committee contracted with an external provider to perform a full opinion audit of financial statements and management received an unqualified opinion that statements are fair and accurate in all material regard. We also worked with the Internal Auditor and external service providers to conduct various audits and assessments of policies and procedures related to ACH transactions, information security, payroll processing, recruiting and hiring practices, and compliance with the Bank Secrecy Act. Based on our activities and the results of our 2021 exam and audits, the Supervisory Committee believes that the credit union is performing appropriately to sustain a safe and secure future; and that it is well managed with a strong commitment to serving the membership.

As your representatives, the Supervisory Committee will continue to perform oversight activities so that we are confident members' financial interests are well protected. We encourage you to contact us with any questions or comments about our findings.



I wish to thank my fellow committee members, Bonnie Drafs and Rick Maricle, for their dedication to the credit union. A special thank you goes to credit union's Internal Auditor and staff members in the Risk Management and Accounting Departments for their hard work and outstanding support.

On behalf of the entire committee, we appreciate the opportunity to serve the members of Industrial Credit Union and look forward to a secure and successful 2022.

Sincerely,

Melissa Muhich | Chair, Supervisory Committee

ANNUAL CEO AND BOARD CHAIR REPORT

The board of directors and management are working diligently to support our members' needs and dreams, and our members' activity over the past year makes it clear that they trust Industrial Credit Union to serve them. In 2021 assets under management grew by over 23%, faster than all other credit unions in Whatcom County. Total membership grew by over 1,300 and the credit union funded more than 4,400 new loans totaling over $125 million in new balances and limits. We are proud to report that our financial co-op now includes well over 36,400 members, and we are servicing over $346 million in member deposits, and over $227 million in loans.

We take our mission seriously. The credit union is dedicated to helping members of all backgrounds, and we provide services and loans to a wide spectrum of credit profiles and financial circumstances. We have achieved great success with our service strategies, and the U.S. Department of the Treasury's Community Development Financial Institutions (CDFI) Fund has taken notice. In 2021 Industrial Credit Union was awarded a $1.8 million grant to support our endeavors in Whatcom County.

Other key accomplishments from 2021 include:

- In May we migrated our Lynden branch to a new facility. The new space provides our Lynden members with drive-up access and will also provide for many years of future growth.
- In June we integrated with the Zelle network, enabling our members to instantaneously send and receive funds between Industrial Credit Union accounts and customers of other participating financial institutions.
- In September we launched a new cash back credit card program. Members can now leverage our credit card to earn an unlimited 2% cash back reward on all purchases.

Industrial Credit Union is thriving. We are proud to serve our members and all Whatcom County communities. Thank you for your continued membership and support.

Michael Ashby
Chair of the Board of Directors



Brandon Hahnel
President/CEO

