84th Annual REPORT

2025



Industrial
CREDIT UNION

Federally Insured by NCUA

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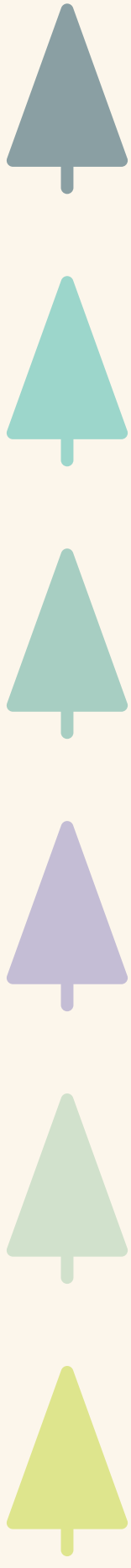
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2024 ANNUAL ADDRESS FROM PRESIDENT/CEO

Brandon presented a three-part perspective on the credit union.

Where we come from:
From a long-term perspective, Credit unions are a relatively new concept in the financial world. Financial systems historically have not operated in a customer's/member's best interest. Billions throughout history have lived without access to financial safety; some still do not have what they need to thrive. Credit unions entered the field in 1934 with the approval of the Federal Credit Union Act. Since then, credit unions have worked hard to serve everyday people and provide beneficial services rather than chasing profit.

Industrial Credit Union was founded in 1941. We've seen countless changes in the years since, but our mission and vision have remained the same. We envision a community in which all individuals have easy access to the financial services they need to thrive, and our mission is to provide a wide range of cost-effective financial services that empower our members wherever they are in their financial journey.

Where we are currently:
Our society is still experiencing financial pain from high post-pandemic inflation. Cumulative inflation was 17.8% over the last 3 years – nearly 3 times the rates of the preceding years. Inflation is slowing now, with a 3.3% annual pace over the last 12 months.

In an effort to help with inflation, the Fed increased Fed Funds to 5.3%. Both loan and deposit rates are up. This is beneficial for savers but painful for borrowers. Longer-term US treasury rates are around 4.6%.

Whatcom County's population is over 230k. The cost of housing (purchasing and renting) is very high, up by about 60%. Lending rates are now 7% or higher; getting a new home is challenging for many and unattainable for some. Average gas prices are at a high of $4.25/gallon. Employment is at 6.5%. Total employed (97k) has recovered to pre-pandemic levels.

The data presented showed member deposits every December since 2020. In 2023, deposits declined by roughly 3%, which was neither catastrophic nor unexpected. Industrial returned over $3m in dividends to members in 2023, four times higher than previous years. Industrial Credit Union members are receiving top-market rates.

Brandon shared data on the credit union's loan portfolio and how it has changed since 2020. Lending decreased [from 2022] in 2023, but still brought in a healthy $307.2m. The credit union originated many loans, but paydowns were high, so yields shrunk. Loan delinquency, particularly for auto loans, has increased significantly within the credit union and throughout our industry. Consumers are struggling with both inflation and loan repayment across the nation. Provision for Loan Loss (PLL) was $5.1m in 2022, but a significant increase – to $8.5m – was needed in 2023.

The credit union's net worth ratio is indicative of the overall health of the organization. Net worth is our capital cushion. Industrial continues to roll net worth back to our membership in the form of loans and services. We have built up a strong capital cushion. We used secondary capital in 2022 to increase the credit union's net worth. The dollar amount of net worth contracted slightly in 2023, due to loan losses and delinquent payments. Overall, the credit union posted a loss of $600k in 2023. An industry-wide change in accounting practices resulted in a reduction to our balance sheet, and the credit union ended the year well-positioned, with a slight increase in overall net worth. We have sailed the recent storms well. The credit union is well-capitalized, safe, sound, and well-situated for the future.

Present updates:

- Savings rates are up to 1.4%. Certificate rates are up to 4.7%. Auto loan rates are at 8%, and home loan rates are at 7.5%.
- The Fred Meyer branch will be closing this year. In-branch transaction data showed a significant decline in member usage of branches.
- Delinquency is down from a peak of 1.3% to .8%.
- We are now offering estate planning on the website. This is an area of need, and we are making it affordable for Industrial members.
- The credit union is making ultra-safe, low-risk investments – either Fed-funded or back into the membership via lending.

Where we are headed:

We continue striving to achieve our mission and vision, looking for opportunities to launch products and services that will meet our member and community's needs. Growth will remain steady this year; we do not anticipate massive growth in any areas.

Interest rates will likely remain high through the year.

We will continue to expand self-service technology through improvements to online banking, digital applications, and more. Members have made it clear that they appreciate and want technological advancement.

We are still, and always, all about the people. Our goal is to continually serve and innovate to the benefit of our membership and community.

Previous Year's Meeting Minutes

Call to order

Board Chair, Rick Maricle, called the 83rd Annual Meeting to order at 6:08 pm on Wednesday, April 24th, 2024, on the digital platform Zoom.

Roll call

Board, Supervisory Committee members, and 39 Industrial Credit Union members were present, representing the interests of Industrial Credit Union.

Board and Supervisory Committee members present:
Rick Maricle (Board Chair), Mike Ashby (Board Vice Chair), Nikole Knauft (Board Secretary), Melissa Johnston (Board Member), Harold Henkel (Board Member), Dennis McGrew (Board Member), Areti Moularas (Supervisory Committee Chair), Bonnie Drafs (Supervisory Committee Member), Matthew Cooper (Supervisory Committee Member). Board Member Stanley Godek was unable to attend.

Industrial Credit Union Executive Management present:
Brandon Hahnel (President/CEO), Rich Holcomb (VP/Finance), Vickie Skelton (VP/Operations), BJ Van Leeuwen (VP/Lending) and Dain Stevens (VP/Digital Services).

Kessa Volland (Director of Marketing) opened the meeting with a brief welcome and overview of the meeting structure.

Prior Year Minutes

Board Chair Rick Maricle requested approval of the 2023 Annual Meeting minutes, which were included in the Annual Meeting Booklet posted to the credit union's website prior to the meeting. Attendees were invited to present any objections via the chat feature during the meeting. There were no objections from attendees, and minutes were approved by consensus.

Reports

The 2023 Annual Meeting Booklet was posted to the credit union's public website prior to the meeting, and attendees were encouraged to review it periodically during the presentation of the reports. Rick Maricle presented the Supervisory Committee Report and there were no questions or comments regarding the material presented.

Election of Officers 2024

Kessa explained the election process and the purpose of Board of Director and Supervisory Committee members. She then presented a slate of candidates running for reelection. The slate of candidates was provided by the board-appointed Nominating Committee (committee members are Michael Ashby, Melissa Johnston, and Brandon Hahnel):

- Reelection of Rick Maricle as Board Volunteer
- Reelection of Nikole Knauft as Board Volunteer
- Reelection of Stanley Godek as Board Volunteer
- Reelection of Matthew Cooper as a Supervisory Committee Volunteer

As the election was uncontested, all candidates were reelected by acclimation.

Kessa encouraged interested members to apply for open Board and Supervisory Committee positions. Information on how to apply can be found under the 'About Us' section of the Industrial Credit Union website.

Live Questions and Answers 2024

Brandon opened the meeting to member questions; none were raised.

Good of the order

Brandon reminded attendees that they have all been entered into a prize drawing. Kessa will draw a name after the meeting and contact the winner via email.

Rick noted the option to send questions or concerns in the chat feature after the meeting, or to contact the credit union directly.

Adjournment

There being no further business, Rick Maricle called the 83rd Industrial Credit Union Annual Meeting adjourned at 6:40 pm.



STATEMENT OF FINANCIAL CONDITION

Assets	2024		2023	
Loans to Members	268,799,335	69.00%	307,193,960	80.38%
Allowance for Loan Losses	(5,162,762)	-1.33%	(6,873,568)	-1.06%
Cash on Hand	1,697,841	0.44%	2,972,663	0.72%
Investments / Overnight Deposits	103,290,095	26.51%	63,425,836	16.53%
Fixed Assets - Net	6,933,907	1.78%	6,634,831	1.66%
Other Assets	14,024,639	3.60%	6,953,826	1.78%
TOTAL ASSETS	**389,583,055**	**100.00%**	**380,307,548**	**100.00%**

Liabilities & Member Deposits				
Member Deposits	342,510,058	87.92%	333,542,104	86.58%
Borrowed Funds	14,000,000	3.59%	14,000,000	5.24%
Other Liabilities	4,945,663	1.27%	5,815,997	1.22%
TOTAL LIABILITIES & MEMBER DEPOSITS	**361,455,721**	**92.78%**	**353,358,101**	**93.04%**

Equity				
Regular Reserves	3,299,425	0.85%	3,299,425	0.82%
Undivided Earnings	26,404,769	6.78%	25,473,347	6.76%
Reserve - Investments Market Value	(1,576,860)	-0.40%	(1,823,325)	-0.62%
TOTAL EQUITY	**28,127,334**	**7.22%**	**26,949,447**	**6.96%**
TOTAL LIABILITIES, MEMBER DEPOSITS & EQUITY	**389,583,055**	**100.00%**	**380,307,548**	**100.00%**

STATEMENT OF INCOME AND EXPENSE

Operating Income	2024		2023	
Interest Income – Loans	17,707,127	63.70%	18,615,615	65.73%
Interest Income – Investments	3,531,260	12.70%	1,890,736	5.96%
Non-Interest Operating Income	6,559,504	23.60%	6,692,896	25.97%
TOTAL OPERATING INCOME	**27,797,891**	**100.00%**	**27,199,247**	**100.00%**

Operating Expenses

Labor & Benefits	9,211,655	33.14%	9,018,289	39.65%
Office Occupancy	919,179	3.31%	846,931	3.11%
Office Operations	6,726,994	24.20%	6,170,982	22.69%
TOTAL OPERATING EXPENSES	**16,857,828**	**60.64%**	**16,036,202**	**65.62%**
INCOME (LOSS) FROM OPERATIONS	**10,940,063**	**39.36%**	**11,163,045**	**30.74%**
Provision for Loan Loss	5,184,529	18.65%	8,450,983	23.32%
Total Non-Operating Gain (Loss)	(206,488)	0.74%	150,731	-5.29%
INCOME (LOSS) BEFORE DIVIDENDS	**5,549,046**	**19.96%**	**2,862,793**	**12.71%**
TOTAL DIVIDENDS & INTEREST EXPENSE	**4,617,623**	**16.61%**	**3,464,792**	**3.50%**
NET INCOME AFTER DIVIDENDS	**931,423**	**3.35%**	**(601,999)**	**9.21%**

Supervisory Committee Annual Report

2025 REPORT FOR THE 2024 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 comply 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 Administration. 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, but not limited to, ACH transactions, mortgage operations, information security, payroll processing, consumer lending and compliance with the Bank Secrecy Act.

Based on our activities and the results of our 2024 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 Matt Cooper, 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 2025.



Sincerely,

Areti Moularas | Chair, Supervisory Committee

Annual CEO & Board Chair Report

2025 REPORT FOR THE 2024 CALENDAR YEAR

In 2024, Industrial Credit Union focused on our mission to support our members' financial goals, even during a year marked by national economic headwinds. Thanks to careful stewardship and the trust of our members, we are pleased to share several key achievements:

Net Income & Capital
Despite external challenges, the credit union reported positive net income for 2024. Financial performance continues to strengthen in 2025, and the credit union's net income exceeds $1 million through June. The credit union's net worth (our capital cushion) exceeds $44 million (over 11% of total assets). The cooperative is very safe and sound.

Stable Member Deposits
Member deposits held steady at just under $345 million, reflecting our members' ongoing confidence in Industrial Credit Union.

Real Estate Program Growth
Our real estate lending program saw tremendous growth, helping more members achieve homeownership. The credit union's portfolio of member mortgages now exceeds $100 million.

Investing in Innovation
One of our proudest achievements this year was the successful conversion to a new digital services platform. By bringing many services in-house, we now have direct control over key features, allowing for faster innovation, deeper customization, and better cost efficiency.

Highlights include:
- Improved integration for external transfers, documents & statements, and credit card reward redemptions
- Personalization options, including customizable visuals and language preferences
- New features like real-time wire transfers, card lock/unlock, dynamic credit card payments, and secure messaging

Our team worked tirelessly to ensure a smooth transition, and we achieved a 90% success rate across our membership—well above the 75-80% national average for such projects.

Serving Our Community
At Industrial Credit Union, we remain committed to serving members of all backgrounds and financial situations, offering programs and services designed to help everyone thrive.

Looking Ahead
Our balance sheet remains safe and sound, and we are excited about the future. Together—with the dedication of our board of directors, the management team, and staff—we will continue to innovate and uphold our promise to put members first.

Thank you for your trust and for being part of the Industrial Credit Union family.



Nikole Knauft
CHAIR OF THE BOARD OF DIRECTORS



Brandon Hahnel
PRESIDENT/CEO


Industrial
CREDIT UNION