

U. S. Postal Service FCU

89th Annual Meeting

July 26, 2023

OFFICIAL ATTENDANCE: In attendance: 15 employees, 8 Board members, 2 Supervisory Committee members, 6 in-person members, 28 virtual members and 2 guest vendors for a total of 58.

PARTICIPANTS:

JOHN ROSATO, STEVE CIMINO, ERIKA LANCESKIS, BILL BATTERTON, MIKE MCCARTNEY, GILBERT FORD, AND THOMAS DALE.

WELCOME

[ERIKA LANCESKES] Hello and welcome, I am Erika Lanceskes, your host for today's meeting. On behalf of the Board of Directors I would like to welcome all of you to the 89th Annual Meeting of the U. S. Postal Service Federal Credit Union.

INTRODUCTION OF HEAD TABLE: Please allow me to introduce those seated at the head table.

- JOHN ROSATO, CHAIRMAN OF THE BOARD
- MICHAEL MCCARTNEY, VICE CHAIRMAN OF THE BOARD & CHAIRMAN OF THE NOMINATING COMMITTEE
- THOMAS DALE, TREASURER
- GILBERT FORD, CHAIRMAN OF THE SCHOLARSHIP COMMITTEE
- WILLIAM BATTERTON, SUPERVISORY COMMITTEE MEMBER
- STEVEN CIMINO, CEO

I'd like to recognize the Board and Committee members not seated at the table:

- RICHARD GATEWOOD, DIRECTOR OF TECHNOLOGY & OPERATIONS
- RICHARD YESSIAN, DIRECTOR OF HUMAN RESOURCES
- BRADY HAYDEN, DIRECTOR OF STRATEGIC PLANNING
- CHRISTINA LEWIS, DIRECTOR OF MARKETING
- CHARLES MCCULLOUGH ESQUIRE, DIRECTOR
- CAROL MORGAN, CHAIRMAN OF THE SUPERVISORY COMMITTEE
- ROBERT PEDERSON, SUPERVISORY COMMITTEE MEMBER
- RICHARD STRASSER, SUPERVISORY COMMITTEE MEMBER
- LEONARDO GREEN, SUPERVISORY COMMITTEE MEMBER

And to all of our special guests in the audience, our members, we're delighted that you could join us this afternoon.

[LEAD APPLAUSE]

To get things started we would like to draw our first \$250 Share Certificate winners. **[STEVE ROLLS TUMBLER AND SELECTS ONE BLUE and ONE RED WINNER, ANNOUNCE WINNERS (BLUE FIRST online winner—Nancy Snyder) (RED FIRST in-person winner—William Colbert) IN-PERSON WINNER IS INVITED TO COME UP AND BE PRESENTED WITH CERTIFICATE; ALEX WILL TAKE PHOTO]**

[ERIKA LANCESKES]

Thank you, at this time I would like to welcome Chairman John Rosato to call the 89th Annual Meeting to order.

CALL TO ORDER

[JOHN ROSATO] Hello! I'm John Rosato, Chairman of the Board of Director's and I would like to call the 89th Annual Meeting of the U.S. Postal Service Federal Credit union to order. On behalf of the Board of Directors, welcome to our first hybrid Annual Meeting. For those of you joining us in-person welcome and thank you for being here. We would also like to welcome all the members who are joining us virtually, thank you for attending.

The first order of business is the Chairman's Report. The Chairman's Report is included in the Annual Report for your review.

CHAIRMAN'S REPORT

As I have for the past few years, let me begin by thanking you for being a member. There is no credit union without its member-owners, and we know you have many choices when deciding where to conduct your financial affairs.

Overall, the Credit Union performed well during 2022. USPS FCU grew its loan portfolio by \$26.7M, exceeding our goal by nearly 50 percent. This strong loan growth was largely driven by demand for mortgage refinancing (at the beginning of the year) and auto loans. When coupled with other cost control initiatives, and the best net interest margin we've achieved in over a decade, USPS FCU realized a net income of \$835 thousand – nearly double what we earned in 2021. USPS FCU also maintained its "well-capitalized" rating by our federal regulator, the NCUA. These are strong financial results for a credit union of our size and are a credit to the hard work of USPS FCU's dedicated management team.

Beyond the financials, I also want to highlight several other accomplishments:

- The Credit Union put a lot of effort into developing an online account opening system. While this feature hasn't launched yet, we are very close to doing so. Despite numerous, unexpected setbacks, our leadership team has steadily worked through many obstacles. We hope to launch

this new feature by the end of the year and believe that it will significantly improve the member experience.

- In 2022, USPS FCU launched a new, improved credit card rewards system and user interface, and issued contactless cards to all members. Additionally, for those always on the go, our credit card mobile app now allows cardholders to report upcoming travel, lost/stolen cards, and to receive a digital replacement card almost instantly. We believe that these changes will improve the competitiveness and convenience and our product offering and enhance the security of our cardholders.
- Over the past year, the Credit Union has spent time exploring opportunities to provide financial services that would expand into markets that were previously underserved. As a result, in 2022 two additional vehicle loan services were introduced. We began offering discounts on eco-friendly vehicles and also began a new loan program that allows us to extend lending services to borrowers who may have less-than-perfect credit scores. With these new programs, we can better serve the underserved. We will continue to explore similar options and programs in 2023 and beyond.

Looking forward, the Board sees opportunities to continue improving the balance sheet, paying competitive rates, and generating net income. Because the Credit Union is well capitalized, and because we continue to put in the time and effort to chart our path forward, your Board is confident in USPS FCU's future and its ability to continue serving its member-owners. We look forward to reporting equally impressive results this time next year.

MINUTES:

[ERIKA LANCESKES] Now, we will move on to the next item of business, approval of the minutes. The minutes of the last annual meeting have been posted on our website. If you are a virtual attendee and you have a correction, click on the raise hand icon and enter your response by clicking the question icon.

While we are waiting, Treasurer Thomas Dale will deliver the treasurer's report.

After the report we will check for online responses and give our audience members an opportunity to state any corrections to the minutes.

TREASURER'S REPORT FOR 2022

[THOMAS DALE] It was once again a noteworthy year on several levels as we faced many challenges. Most, if not all, businesses across the board continue to be impacted by the lingering effects of the pandemic and economic uncertainty.

Prior to the beginning of 2020, the Credit Union's Board of Directors approved several strategic and financial goals for 2021 through 2023 with a particular focus on deploying funds in a variety of loan categories. While the purpose of placing those funds in loans is to provide higher returns, other goals established were set to ensure safety and soundness by constantly monitoring cost of funds, net income, and maintaining a strong net worth.

2022 proved to be yet another year full of challenges as the Fed was busy increasing rates designed to curb inflation. In retrospect, it is hard to fathom the number of rate adjustments experienced since the beginning of 2022. All-in-all, rates increased 10 times over the past year equating to a 5% bump in the Fed Funds Rate. The immediate effect on credit unions and other financial establishments alike is an increase of both savings and loan rates.

Overall, our major objective was to target loan growth of roughly 12%. We ended the year with a bit over 11.5% loan growth. While the purpose of placing those funds in loans is to provide higher returns, other goals established were set to ensure safety and soundness by constantly monitoring cost of funds, net income, and the resulting and important net worth ratio.

During 2022, Credit Union assets declined \$1.8 million from \$272 million to \$270 million. Total savings decreased \$12M as, once again, "hot" funds left the Credit Union pursuing rates in excess of what our financial structure allowed. Any time rates increase, some rate chasers become more active.

We ended 2022 with total net income of \$835 thousand surpassing the \$773 thousand goal. This equates to an annual return on assets of .30%. USPS FCU continues to remain above our established minimum of 10% Net Worth at 10.27% and well above the 7% regulatory minimum established by our federal regulator, the National Credit Union Administration (NCUA). The bottom line is we are "Well Capitalized" and continue to display all the characteristics of being a safe and sound financial haven for our entire membership.

Despite the lingering effects of the pandemic and the nature and complexity of the many challenges, we continue to explore ways of continuing a high level of service with a goal of providing complete and well thought out new vehicles of service delivery and product lines. Due to the diligent work provided by our totally volunteer Board of Directors, our Supervisory Committee's constant due diligence oversight and our dedicated staff, your Credit Union continues to thrive, prosper and remain very strong.

Thank you for your loyalty to the Credit Union. We are committed to providing a high level of exceptional service and will continue to strengthen our ability to deliver services remotely. We are constantly evaluating our product and service offerings to provide you with the necessary tools to help assist in improving your financial well-being. We want USPS FCU to be the financial institution of choice and we will continue to work hard to earn and keep your trust.

This concludes the financial overview and the Treasurer's Report for today's meeting.

[ERIKA LANCESKES] Thank you Mr. Dale. We will now resume approval of the minutes. There were no corrections from our virtual audience. Are there any corrections from the live audience? [PAUSE] Seeing none, the minutes are approved as posted.

Before we move on to the next order business let's pick two more lucky winners.

[STEVEN CIMINO] two winners are selected for certificate drawing 2 of 3]

[STEVE ROLLS TUMBLER AND SELECTS ONE BLUE ONE RED, ANNOUNCE WINNERS (BLUE SECOND online winner—Jeff Burger) (RED SECOND in-person winner—Darlene Jones-Kemp) IN-PERSON WINNER IS INVITED TO COME UP AND BE PRESENTED WITH CERTIFICATE; ALEX WILL TAKE PHOTO]

The next order of business is the Nominating Committee Report. I'd like to ask our Nominating Committee Chairman, Mr. Michael McCartney, to provide his report.

NOMINATING COMMITTEE REPORT:

[MICHAEL MCCARTNEY] The next item of business will be the report of the Nominating Committee.

There were four (4) vacancies for the Board of Directors and only one person nominated for each position. The nominees' biographical information was published in the April 2023 edition of Postscripts, which can be viewed on our website. There were no additional candidates.

Therefore, by acclamation, election of the following four (4) individuals to the Board of Directors, each to serve a two-year term is as follows:

Thomas Dale, Jr., Incumbent
Richard Gatewood, Incumbent
Charles McCullough, Incumbent
John Rosato, Incumbent

That concludes the Nominating Committee Report.

We will proceed to the next item of business, Mr. William Batterton, Supervisory Committee Member, will now review the Supervisory Committee Report.

SUPERVISORY COMMITTEE REPORT:

This past year, your Supervisory Committee consisted of Chairperson Carol Morgan, and members Lee Green, Dick Strasser, Bob Pedersen, and me Bill Batterton. During 2022, the Committee engaged the CPA firm Nearman, Maynard, Vallez to audit the accompanying financial statements of the USPS

Federal Credit Union which comprise the statement of financial condition as of December 31, 2022, and 2021, and related statements of income, changes in members' equity, comprehensive income, and cash flows.

In their opinion, the financial statements present fairly, in all material respects, the financial position of the USPS Federal Credit Union in accordance with accounting principles generally accepted in the United States of America.

We would like to thank the Credit Union staff and Management for their cooperation with the Supervisory Committee and our external auditors during the past year.

This coming year, we do have two vacancies on the Supervisory Committee. I encourage anyone interested in volunteering to contact the Credit Union to apply or seek additional information regarding our role and responsibilities. The Credit Union is about its members, and we welcome your perspective, guidance and talent. Information on contacting the Credit Union regarding interest in volunteering will be provided later in this meeting.

[ERIKA LANCESKES] Thank you, Mr. Batterton.

NEW BUSINESS:

We have no unfinished business. Is there any new business to come before the assembly? If you are If you are a virtual attendee and you have new business to present, click on the raise hand icon and enter your response by clicking the question icon. We will pause to give the attendees time to respond. While we are waiting, we will hear from Gilbert Ford, Chairman of the Scholarship committee, Mr. Ford will announce our 2023 Frederick J. Heinen scholarship recipients.

SCHOLARSHIP COMMITTEE REPORT

[GILBERT FORD] Thank you, Erika. I will move to the next item of business, this year's winners of the Frederick J. Heinen Scholarship, which honors Fred Heinen who served this Credit Union faithfully and unselfishly as Chairman, Vice Chairman, Secretary/Treasurer, Director, and mentor for twelve years.

The content and quality of the essays were exceptionally well written this year and the judges agreed on the following winners for 2023.

- 1st Place: Kalei Serra, \$1,000 (Kay-Lee Sara)
- 2nd Place: Diego Basahanda, \$750 (Diego Ba-Sa-Han-DA)
- 3rd Place: Rebecca Audette, \$500 (Rebecca AU-dett)

This year we were also awarded three one-hundred-dollar honorable mention awards. These awards went to:

- Alyssa Gayson (A-Liss-A Gay-son)
- Johnathon White (JON-A-THon White)
- Kennedy Williams (Ken-A-Dee Williams)

The winners have been notified and the funds have been deposited in their Credit Union Savings Account.

Let's return to Erika to see if there is any New Business.

[ERIKA LANCESKES] There were no responses from our online attendees. Is there any new business from the audience members present?

Hearing none we will continue with the final \$250 certificate drawing.

[ERIKA LANCESKES & STEVEN CIMINO pull final winners]

[STEVE ROLLS TUMBLER AND SELECTS ONE BLUE and ONE RED, ANNOUNCE WINNERS (BLUE THIRD online winner—Karen Craig) (RED THIRD in-person winner—Sheila Scott) IN-PERSON WINNER IS INVITED TO COME UP AND BE PRESENTED WITH CERTIFICATE; ALEX WILL TAKE PHOTO]

[STEVEN CIMINO] Congrats to all our winners and thank you to all of our members, you are what drives the Credit Union to succeed. Thank you for your trust and membership. Back to Erika...

[ERIKA LANCESKES] At this point in our program we will invite our partners up to the podium to share with you some of the benefits they offer.

First, we would like to welcome, Amber Miller with Green Path Financial Services, our financial education and wellness partner.

[AMBER SPEAKS]

[ERIKA LANCESKES] Thank you, Amber.

Now we will hear from George who is here to speak about American Income Life and the benefits available to all members.

[GEORGE SPEAKS]

[ERIKA LANCESKES] Thank you, George.

[ERIKA LANCESKES] Thank you to all our volunteers for leading our Credit Union through another successful year. Before you leave, I would like to close with this: volunteers are at the heart of every credit union, the credit union board of directors and supervisory committee positions are all volunteer positions and are supported by several committees of volunteers.

If you are looking for a leadership role to gain experience and training or want to give something back to your community, we may have an opportunity for you. Inside your program, you will find a QR code. Scan the code with your smart phone to contact us and explore volunteer opportunities.

There being no other business, the meeting will adjourn.

We appreciate everyone for joining us today and wish you all safe travels on your return home.