



5-STAR

United Poles Federal Credit Union

Continues To Thrive

BauerFinancial, Inc., the Nation's Premier Bank and Credit Union Rating Firm, has awarded us, United Poles Federal Credit Union, the highest (5-Star) rating for financial strength and stability. A 5-Star rating indicates we excel in capital adequacy, profitability, asset quality, and more. Despite a pandemic and other challenges, we continue to shine and serve members in the best way possible.

At United Poles Federal Credit Union, members always come first.

We're proud to serve the Polish-American community for all their financial needs. Without you, we wouldn't be a 5-Star credit union or where we are today.

Board of Directors

- | | |
|------------------|------------------------------------|
| Thomas Kazalski | <i>Chairman</i> |
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- Ela Ozog-Osewski
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ALCO Committee Member

- John Fidura

Staff

- | | |
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| Iwona Karpeta | <i>CEO</i> |
| Renata Wilusz | <i>Vice President</i> |
| Marta Bogusz | <i>VISA Specialist</i> |
| Aneta Szewczyk | <i>Branch Manager</i> |
| Julia Jenzke | <i>Member Service Representative</i> |
| Beata Labeledzki | <i>Member Service Representative</i> |

2020 ANNUAL REPORT



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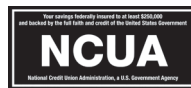
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Note from CEO

I thank each and every one of our members for their unfailing loyalty and support this challenging year. I would also like to thank the Board and my staff for their efforts to make our Credit Union a better place to bank, and for swiftly adapting to the needs of the post-COVID-19 reality with extra hours at work. New operating reality with extra safety precautions challenged our operating expense budget discipline. We remained focused on stronger lending efforts and improving our service offer in 2020, investing significant amounts into new technologies to better equip us to serve you in the digital era accelerated by COVID-19; we introduced ACH origination as well as updated our mobile app to include extra features - more upgrades are on their way.

It's been an all-time record-breaking lending year. We wrote over \$15mln in new loans last year with over \$1.9mln in car loans and \$11.7mln in mortgage loans, which helped our bottom line and capital position, but most of all matched the needs of our membership. Within a couple of weeks of the PPP loan program passed by the Congress, our Credit Union became a PPP lender. In both PPP rounds we wrote over \$422,000 in those loans - with majority of the businesses borrowing \$10,000 or less, i.e. true small and local business owners.

COVID-19 posed additional loan collection challenges, but with our swift skip-pay program and mortgage loan forbearances we managed to work out a win-win solution and continue to work with those members who are still struggling in this economy. Fee-waivers put additional \$50,000 or so in our members' pockets. We also honored our commitment to the Polish community, showing our support to the best of our abilities and granting \$8,000 in scholarships - \$3,000 more than budgeted for as the Board agreed to expand this form of support during the pandemic.

Throughout the year we ran several promotional offers to pass thru some cost savings to our members as a special thank you to everyone who put their trust in us. We continue with our commitment to helping our members become financially successful and measure our success with their success.

Thank You,
Iwona A. Karpeta, CEO



Income Statement Commentary

Net interest income increased by almost \$50,000 even though loan interest rates dropped significantly in spring 2020 and the Credit Union paid out special bonus dividends in the 4th qtr of 2020. Real estate loans generate about 75% of our loan interest income. Investment income shrunk by about \$63,000, with re-investment rates at near 0% for the most of 2020. Loan delinquencies remained almost unchanged last year. Almost \$6mln in our loans was affected by COVID-19 related forbearances. We are currently working with only a handful of past-due accounts. Operating costs increased by about 8.2% as we started to operate in the new COVID-19 reality with PPE expenses, extra maintenance and technology/security expenses. Overall year 2020 ended with a healthy profit of over \$181,000 that strengthened our capital position. It also allowed us to pay out bonus dividends in December 2020 for the sixth year in a row. What's also notable is that since March 2020 we were waiving all checking account maintenance requirement fees, all late loan fees and NSF fees on accounts were waived thru August - that is an additional \$50,000 in your pockets, when you needed it most. We also extended our lending offer to include PPP loans and lines of credit on personal accounts as part of our response to the pandemic and to your needs for extra operating funds. Year 2021 is expected to realize a modest profit as well even with the sluggish economic recovery of post-COVID-19 world.

Income Statement

	2017	2018	2019	2020
Interest Income	\$1,348,752	\$1,372,016	\$1,358,037	\$1,440,738
Investment Income	151,080	187,127	266,66	203,543
Total Interest Income	1,499,832	1,559,143	1,624,698	1,644,280
Dividend and Interest Expense	94,341	128,311	153,159	122,883
Net Interest Income	1,405,491	1,430,832	1,471,539	1,521,397
Provision for Loan Losses	(12,605)	24,194	120,279	36,247
Other Income	194,147	238,313	217,852	174,885
Employee Compensation	527,240	546,262	562,990	644,442
Office Operations	580,225	601,928	624,014	646,215
Professional and Outside Services	40,631	41,740	46,763	38,872
Promotional and Advertising	122,751	101,275	110,611	126,766
Other	23,812	23,596	27,357	27,716
Total Operating Expenses	1,294,659	1,314,801	1,371,734	1,484,011
Net income before share insurance expense and non-operating gains (losses)	317,584	330,149	197,379	176,025
Share Insurance Expense				
Gain (loss) on sale of assets	(71,000)			
Impairment expense				
Non-Operating Gains (Losses)				5,000
NET INCOME	246,584	330,149	197,379	181,025

Balance Sheet Commentary

Our deposit base expanded by almost \$6.3mln or 17.97% in 2020 - breaking all-time records. Our investment portfolio expanded as well, but mostly in the short-term categories. We wrote over \$15 mln in loans (mostly car and mortgage loans) with explosive growth throughout 2020 - yet another all-time record broken.

Ratios illustrate some of our performance areas. Cost of funds increased as we decreased the declared dividend rates mid-2020, but paid out bonus dividends in December; overall interest rates were still at all-time low levels throughout 2020. Our capital at the end of 2020 was over 8.9%, while the return on average assets was at 0.41%.

We are stronger together

Balance Sheet

	2017	2018	2019	2020
Member Loans	\$29,292,398	\$28,315,682	\$29,591,012	\$32,155,161
Allowance for Loan Losses	(297,936)	(223,533)	(228,066)	(230,464)
Cash on Hand & Deposit	1,308,385	1,712,165	497,649	2,656,645
Investments	8,160,593	10,233,889	9,988,956	10,935,928
Fixed Assets	309,069	261,693	220,349	130,971
Other Assets	517,329	525,927	557,715	926,138
TOTAL ASSETS	39,289,839	40,825,823	40,627,615	46,574,380
Dividends Payable	-			
Outstanding official checks	252,016	228,190	208,737	210,412
Accounts Payable	148,600	228,190	180,204	509,181
Loans Payable	-		925,744	-
Total Liabilities	400,616	442,714	1,314,685	719,593
Shares and Deposits	35,426,001	36,620,264	35,317,282	41,641,431
Regular Reserves	240,574	240,574	240,574	240,574
Undivided Earnings	3,222,648	3,522,271	3,755,074	3,972,781
Total Equity	38,889,223	40,383,109	39,312,931	45,854,787
TOTAL LIABILITIES & EQUITY	39,289,839	40,825,823	40,627,615	46,574,380
Cost of Funds	0.26%	0.36%	0.43%	0.32%
Return on Average Assets	0.80%	0.82%	0.49%	0.41%
Return on Loan Portfolio	4.70%	4.81%	4.82%	4.59%
Return on Investments	1.55%	2.03%	2.50%	2.10%
Capital Ratio	8.80%	9.22%	9.81%	8.94%