

TREASURER'S REPORT

LOC Credit Union again saw steady loan growth during 2023 while deposits decreased as consumers spent down their savings due to rising costs associated with persistent inflation and higher interest rates.

At year end, loans had grown more than \$15.1 million, increasing 6.4% over December 31, 2022. This growth occurred due to members taking advantage of LOC's auto loan rates, popular home equity pricing and innovative first mortgage products.

Vehicle loan fundings totaled \$36.4 million for 2023, and home equity fundings and line extensions totaled \$29.4 million.

First mortgage originations totaled nearly \$13.0 million, compared to \$17.3 million in 2022. The lack of housing inventory and high interest rates continue to impact the real estate sector. However, LOC remains well-positioned to meet the needs of our members who are in the market for affordable home financing by offering assumable Adjustable Rate Mortgages (ARMs) and introducing a fixed-rate conversion feature to these products.

Inflationary pressures and competitive market deposit pricing impacted member deposit balances, which decreased by \$22.7 million, or 5.38%, in 2023. Assets also declined 3.45% to end the year at \$440 million. In response to rising interest rates, we offered our members attractive rates on short-term Certificates and increased rates on our Money Fund account.

For 2023, we issued 18,264 loans representing approximately \$84 million. This brings our total loans outstanding to nearly \$250 million.

Over the last several years, LOC Credit Union has achieved significant loan growth while maintaining both delinquency and charge-off ratios well below industry averages and our peers. This is a testament to our members' credit quality and prudent underwriting standards.

LOC Credit Union continues to serve almost 30,000 members and their families. I would like to extend appreciation to our members for continuing to trust us as your lender of choice when it comes to your borrowing needs, and as your safe and sound depository institution.

Dale Countegan
Treasurer

Let's win together.

AUDIT COMMITTEE REPORT

It is the bylaw-mandated function of this committee to carry out a financial statement audit by a licensed firm. This was accomplished through the services of the experienced auditing firm of Doeren Mayhew, as of September 30, 2023. It is the unanimous opinion of this committee that the statements contained in the report fairly represent the condition of the Credit Union at this time, and further that it continues to be operated in a sound and professional manner.

THE OFFICIAL TEAM

Board of Directors

Michael Lasley, Chairman
Paul Renko, Vice Chairman
Dale Countegan, Treasurer
Paul Hain, Secretary
Natalie Clemons
Michael Connolly
David Drake
Dominic Lauria
Patrick Monti
Betty Richards
Ann Schroeder
Paul Wydendorf

Audit Committee

Jon Vondrasek, Chairman
Kurt David
Betty Richards

Senior Leadership

Stephen P. Grech, President/CEO
Jon Elliott, Senior Executive Vice President
Kari Ciaramitaro, Executive Vice President, Finance & Accounting
Christena Koester, Executive Vice President, Operations & IT
Darin Bentley, Vice President, Chief Information Officer
Marc Buchanan, Vice President, Chief Marketing & Digital Banking Officer
William Cook, Vice President, Real Estate Lending
Kim Hagstrom, Vice President, Chief Financial Officer
John Scott, Vice President, Chief Lending Officer

800.837.4562
loccreditunion.com


DEARBORN | Chase | 6246 Chase Road | Dearborn, MI 48126

DEARBORN | Telegraph | 1050 N. Telegraph Road | Dearborn, MI 48128

FARMINGTON | 22981 Farmington Road | Farmington, MI 48336

HOWELL | 3020 E. Grand River Avenue | Howell, MI 48843

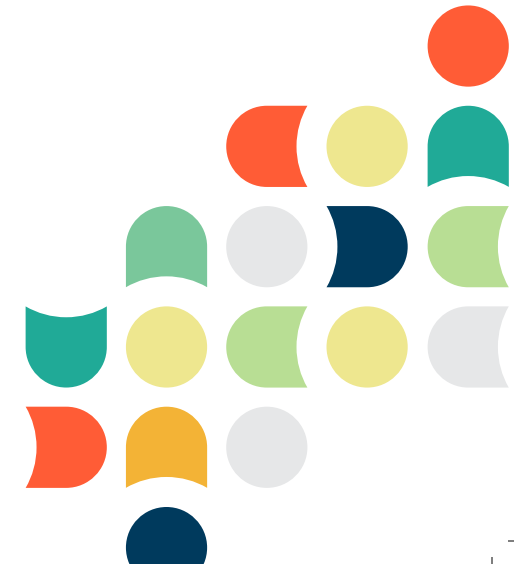
HARTLAND | 10002 Highland Road | Hartland, MI 48353

 Federally Insured by NCUA



ANNUAL REPORT

FOR YEAR ENDING DECEMBER 31, 2023



CHAIRMAN'S REPORT

This past year marked the first full year of operation as a combined Credit Union since the merger between LOC Federal Credit Union and MemberFocus Community Credit Union. Collectively, working as a unified team, we have achieved process consistency, eliminated pain-points and have become a more efficient organization focused on providing exceptional member service.

Perhaps the most significant milestone for 2023 occurred in October when we officially broke ground on a 3,000 square-foot Brighton branch, which is expected to open in mid-2024. Brighton is an important market for LOC Credit Union given our two other Livingston County branches in Howell and Hartland, and the existing sizable membership base in proximity to the new location. Our commitment to this community was demonstrated by our financial literacy efforts with Brighton Area Schools that included 42 classroom presentations, support of the Brighton Area Chamber of Commerce Yellowstone Music Festival, and contributions to the City of Brighton's effort to light up their downtown during the holiday season. LOC sponsored the lighting of the large Christmas tree and the tridge over Mill Pond, which was an extremely popular photo spot during December.

While growing our branch presence has long been a priority of the Board of Directors, maintaining our existing physical plant is also imperative. This past year saw the original exterior siding at our main office in Farmington replaced with a more sustainable material, while all five locations received improvements to their security and access control infrastructure. All our locations are now on a single monitoring service, which helped us achieve the economies of scale we sought with the merger.

Speaking of economies of scale, we successfully converted and merged our two legacy credit card portfolios to a single processing platform, which happens to be the same processor we use for our debit card program. Having both debit and credit cards on the same processing platform allowed us to introduce several card management enhancements for members in our digital banking platform, with more to come in 2024. Members can also expect to receive contactless debit cards the next time their card is reissued.

Other accomplishments for 2023 include:

- A new website at loccreditunion.com
- Successful implementation of the new Current Expected Credit Losses (CECL) accounting standard
- Selection of a new benefits broker to better manage healthcare expenses while still providing our team with an attractive, cost-effective offering
- Continued investments in our IT infrastructure

- Revamping our Savings and Certificate Secured Loan program, making it more attractive for members to "borrow from themselves" when they have excess liquidity
- Introducing a more competitive auto loan program for higher mileage/older model year vehicles
- Adding a conversion feature to our Adjustable Rate Mortgage programs
- Adding functionality in digital banking to allow members to open Certificates online using funds on deposit at the Credit Union
- Being named Best Credit Union in the most recent Detroit Free Press Community Choice Awards. LOC received this honor in 2020 and was a top three finalist in 2021

Despite a difficult economic environment still impacted by inflation and higher loan interest rates, LOC Credit Union continued to achieve loan growth of over 6% in 2023.

Finally, LOC Credit Union continues to be a well capitalized and well-managed financial institution. Our Return on Assets (ROA) in 2023 was 0.94%, resulting in net income of approximately \$4.2 million. Overall, our net worth ratio improved to 8.88% at yearend compared to 7.80% at 2022 yearend.

As I close out my report for 2023, I would like to take a moment to recognize Charles (Chuck) Lacey, who retired from the Board of Directors in December 2023. Chuck began his service to MemberFocus Community Credit Union (formerly Dearborn Schools Credit Union) in 1987. Throughout the next 36 years, he held the positions of Board Chairman, Vice Chairman, Treasurer, Secretary and serve as a member of the Supervisory and Audit Committees. He continued to serve on the LOC Credit Union Board of Directors post merger. His distinguished and exemplary dedication to the Credit Union and its members is greatly appreciated, and we wish him all the best in the years to come.

I would also like to acknowledge and thank the LOC Team for their hard work and dedication to providing outstanding service to our members.

On behalf of the Board of Directors, I want to thank you for your continued participation in LOC Credit Union. We look forward to another year of success as we expand into the Brighton market and seek even greater synergies in moving LOC Credit Union forward.

Best regards,

Michael Lasley

Financial Report as of December 31, 2022

Balance Sheet

Assets	2022	2023
Loans	\$234,558,318	\$249,666,774
Allowance	(256,366)	(1,044,438)
Cash	3,008,365	2,744,184
Investments	184,939,493	160,043,572
Other Assets	28,048,790	23,531,986
Total Assets	\$450,298,600	\$434,942,078
Liabilities & Equity		
Member Shares	\$302,952,911	\$267,228,766
Share Drafts	99,741,933	94,448,904
IRAs	5,052,551	4,427,975
Certificates	13,736,293	32,691,110
Other Liabilities	5,325,312	5,390,975
Reserves	2,022,782	2,022,782
Undivided Earnings	33,087,333	36,600,752
Other Comprehensive Income	(11,620,515)	(7,869,186)
Total Liabilities & Equity	\$450,298,600	\$434,942,078

Statement of Income and Expenses

Income	2022	2023
Interest on Loans	\$7,770,691	\$11,073,232
Income From Investments	3,681,422	4,350,745
Other Income	3,693,610	3,184,555
Total Income	\$15,145,723	\$18,608,532
Expenses		
Employee Comp. & Benefits	\$6,510,035	\$6,997,436
Cost of Space	651,842	661,138
Office Operations	1,383,253	1,291,682
Professional & Outside Services	2,353,544	2,455,118
Marketing	327,962	406,042
Other Expenses	1,166,126	1,544,730
Total Expenses	\$12,392,762	\$13,356,146
Non-operating Income (Loss)	\$1,723,719	\$168,029
Net Earnings Before Dividends	\$4,476,680	\$5,420,415

Distribution of Earnings

Reserves	\$0	\$0
Dividends	\$289,444	\$1,261,912
Undivided Surplus	\$4,187,236	\$4,158,503

Statistical

Number of Accounts	30,297	29,640
Number of Loans Made	16,578	18,264
Amount Loaned	\$97,317,584	\$84,358,493
Delinquent Loans	\$481,536	\$837,792
Increase (Decrease) in Assets	(\$11,832,988)	(\$15,356,522)
Increase (Decrease) in Loans	\$26,724,287	\$15,108,456