

Northwest Federal Credit Union

Minutes of the Annual Meeting of Members

April 22, 2023

Call to Order/Establishment of a Quorum

The Annual Meeting of Members of Northwest Federal Credit Union was held on April 22, 2023, with Gerrienne Burks, Chair of the Board of Directors presiding. Ms. Burks called the meeting to order at approximately 9:00 am. She then asked for and received confirmation that a quorum had in fact been established with those members in attendance. She introduced and thanked the volunteers who comprise the NWFCU Board of Directors, Supervisory Committee, NWFCU Foundation Board of Directors and the Northwest Capital Management Board of Directors. Ms. Burks also thanked the members for attending the meeting.

Report of the Chair and CEO

Ms. Burks affirmed Northwest Federal's unwavering commitment to our members and the communities we serve, despite the prevailing global economic challenges.

Ms. Burks presented highlights of the 2022 financial performance. Amidst a year marked by economic uncertainty, our primary objective remains unchanged: to fortify our long-term sustainability, ensuring steadfast support for our members' financial requirements in the years ahead.

Ms. Burks highlighted that Northwest's regulatory capital ratio increased from 10.61% to 11.93% despite the challenging economic landscape of 2022. Regulatory standards consider 7% as well capitalized. Our sustained long-term sustainability is a testament to careful preparation, positioning us favorably for further investments in products, services, and technologies aimed at enhancing the lives of our members.

In 2022, our net income reached approximately \$29 million, while we successfully funded nearly 33,000 loans, amounting to over \$1.4 billion. Notably, we achieved historically low net charge-offs, totaling just \$1.9 million, or 0.08% of our loan portfolio, compared to \$4.76 million in the previous year. This reduction in charge-offs significantly contributed to our net income growth and capital increase. Additionally, our past-due loans dropped from 0.65% of total loans to an impressive 0.28% by the close of 2022, a figure well below that of our industry peers.

Ms. Burks expressed our ongoing commitment to prioritizing value and convenience for our members. We are delighted to announce the upcoming opening of a new branch in McLean, Virginia, this year. This expansion enables us to extend our support to the local community, welcome new members and actively participate in local events and charitable initiatives. Furthermore, we remain dedicated to enhancing accessibility for our members, whether through the adoption of enhanced technologies or the expansion of our branch network.

In 2022, as the Federal Reserve embarked on rate hikes to combat inflation, we took proactive steps to launch and enhance our certificate program. Our objective was to offer members a chance to capitalize on elevated, competitive savings rates while simultaneously retaining existing accounts and enticing new ones.

Another significant endeavor we undertook in 2022 was the implementation of Zelle, a person-to-person instant payment system, alongside increased security measures such as multi-factor authentication for our members. Additionally, we initiated the deployment of a new Customer Relationship Management platform and rolled out the Card Control+ app, providing members with advanced options for managing their cards.

In conclusion, Ms. Burks reaffirmed that through diligent financial management and unwavering dedication to our members, Northwest Federal Credit Union remains a pillar of financial safety, stability, and security.

Ms. Burks invited Jeff Bentley, President/CEO, to provide his perspective on the 2022 performance of NWFCU. Mr. Bentley thanked the Board of Directors and all others in attendance. He introduced the executive leadership team and thanked those in attendance.

Mr. Bentley said at Northwest Federal Credit Union, collaboration across all teams is key. By fostering teamwork, communication, and breaking down silos, we ensure a balance between technology projects and personalized member service. Listening to employee needs and expanding our community presence through sponsorships and events strengthens our relationships and alliances.

Employees, members, and volunteers from our company and community partners are eligible for membership, fueling our growth and allowing us to offer more services. Northwest Federal Credit Union Foundation, our philanthropic arm, expanded its support of our communities and the areas where our members and staff live and work. Several initiatives led by the Northwest Federal Credit Union Foundation have significantly increased our involvement and impact within neighboring communities. One such initiative, AVID24, stands out as a new program aimed at mentoring Herndon Middle School students. Through an immersive full-day field trip to our Herndon headquarters, students learned about financial literacy and explored potential career opportunities.

Through Foundation efforts, Mr. Bentley reported that we awarded \$135 thousand in scholarships to 27 outstanding students, bringing the total amount to \$1.79 million awarded to scholarship recipients since the Foundation's inception in 2006. Additionally, the Foundation provided grants to College Access Fairfax and the NOVA Community College Student Success Fund. Moreover, the Foundation completed four major Basic Needs Drives aimed at supporting children's well-being in our community. These drives included our NOVA Diaper Bank, a Winter Drive providing coats, hats, and gloves to children in Herndon and Sterling Schools, and the provision of school supplies to four area elementary schools.

Mr. Bentley said we remain committed to protecting our assets and collaborating with the communities we serve so that we may continue to be the lifetime financial partner of choice for our members and their families.

Election Results

In accordance with the organization's bylaws, Ms. Burks reported that no candidates were submitted for nomination by petition from the general membership. She then announced the Nominating Committee put forth three candidates for three positions – Tom Conroy, John Nelson, and herself, Winky Burks. Since there were no valid petitioners, the candidates were elected by acclamation.

Approval of Minutes

Ms. Burks called for a motion to approve the minutes from the 2022 Annual Meeting. A motion was made and seconded. The April 23, 2022, Annual Meeting Minutes were unanimously approved.

Question and Answer Session

Ms. Burks and Mr. Bentley provided responses to questions that were pre-submitted during registration. Any account-centric or specific questions will be followed up personally by a member of our staff.

Branch Strategy: Mr. Bentley spoke about the challenges related to opening branches including location, staffing, and a lengthy breakeven period, typically spanning 5-6 years. Extensive research is conducted to select branch locations carefully.

Member Growth: Mr. Bentley reported that we are growing by approximately 3,000 members a month. Currently, we have a total of 285,000 members. We monitor our member base daily and remain opportunistic in relation to accelerating member growth through acquisitions.

Interest Rates: Mr. Bentley spoke about the current rate environment. He highlighted the need to offer competitive rates to attract both depositors and borrowers. He explained that the credit union relies on the spread between deposit and loan rates. However, in times of low rates, maintaining competitiveness on loans can narrow this margin, posing a challenge for the industry. To address this, he noted the implementation of special CD promotions.

Employee Engagement: Mr. Bentley spoke about employee engagement and the ongoing challenge of finding skilled talent in today's market. He noted the efforts we have made to support our employees, including providing flexible schedules to allow community involvement and volunteering. By prioritizing community engagement and career advancement opportunities, we have positioned Northwest ahead of our peers in attracting and retaining employees.

Following the Question-and-Answer Session, Ms. Burks announced the end of the meeting and called for a motion to adjourn. The motion was made and seconded. The meeting adjourned at 9:58 am.

Gerrienne Burks, Chair
Northwest Federal Credit Union Board of Directors

Dawn Eilenberger, Secretary
Northwest Federal Credit Union Board of Directors