

2019 ANNUAL REPORT

MESSAGE FROM OUR CEO



As we reflect on 2019, we have a lot to celebrate as a result of a continued focus on growth, and adding value to the membership. SouthPoint Financial Credit Union continues its tradition of being a strong financial institution while others are challenged with growth or consolidation.

We continue making strategic investments into the future, including technologies like video banking via VideoConnect, and the addition of our seventh branch in Waconia. Our commitment to growth is a result of our relentless drive to do more for our membership. Achieving scale for sustainability purposes has become a critical factor in remaining competitive while providing the best products, services and technologies of today and tomorrow. With this in mind, we have embarked upon an ambitious 5-year initiative of 40 x 25, with our sights set to grow to 40,000 members by the end of 2025. We are excited to bring credit union services to more members and communities, and return the value that this scale can provide.

Last year was also a year of transitions, capped with long-time CEO, Dick Nesvold's retirement. We are grateful for his leadership, contributions to our industry, and impact on the organization. Personally, I am grateful for his mentorship and friendship, and we wish him well in his new chapter. I am humbled and honored to have been selected to lead SouthPoint as your new President & CEO, and greatly appreciate the support and confidence of the Board and staff. I look forward to leading our exceptionally talented team, who are all focused on the credit union philosophy of "People Helping People," and making a difference in people's lives.

The global pandemic of COVID-19 continues to impact us, and every government, company and individual is facing complex decisions in response. We've been working hard to make the most informed choices to keep everyone safe and healthy. Our employees, members and communities are at the center of our purpose, and this guides decisions we make.

While the world had changed, our focus has not. We are committed to building strong relationships, putting members first, and adding value by doing the right thing for the right reasons. It's the basis for how SouthPoint has sustained a strong financial position, helped members achieve their financial goals and has become the most trusted financial partner for our members. Our promise to you is to look out for your well-being and reassure you that we are here to help with all your financial needs, now and in the months and years to come.

As we look forward to the opportunities of the future, many thanks are in order. We'd like to thank staff for their dedication and hard work. We would also like to thank the Board of Directors and committee members for providing strong business direction and advice. Most importantly, we would like to thank you, our members, for your ongoing support and partnership.

We look forward to providing you exceptional value and service in helping you achieve your financial goals.

Jay Gostonczik, President/CEO

MESSAGE FROM THE BOARD

Two thousand nineteen was an eventful year for SouthPoint and its members. Plans were underway for our newest branch in Waconia. Our CEO Dick Nesvold announced to the board he would be retiring at the end of the year cumulating 30 years of service to SouthPoint and our members. Under Dick's leadership, SouthPoint added six branches and our operations center in Sleepy Eye, and the seventh branch was under construction in Waconia MN. Thank you, Dick, for your contributions.

Your board began the process of selecting a new CEO in June of 2019. I want to thank the board

for their dedication to the process, their input and time, due diligence, interviews, and selection of Jay Gostonczik as our new CEO, which was effective January 1, 2020. Jay has been with SouthPoint for six years in various management positions. He has a long history with credit unions and is dedicated to the credit union movement. We look forward with anticipation to his leadership of SouthPoint.

Thank you to the member-owners of SouthPoint for their continued support.

Gordon Osmonson, Board Chairman

CORE VALUES

- ✦ KNOWLEDGE
- ✦ RELATIONSHIPS
- ✦ SUSTAINABILITY
- ✦ MUTUAL BENEFITS
- ✦ TEAM DRIVEN



REPORT OF THE SUPERVISORY COMMITTEE

The role of the Supervisory Committee is important and similar to the role of internal auditors, which is to protect the interests of SouthPoint Financial Credit Union members. The committee members assume this responsibility by ensuring a quality system of checks and balances is maintained. The committee is appointed by the Board of Directors, members for 2019 were Tammy Helget, Adam Seifert and Jerry Forster.

The Supervisory Committee acts as a guardian of the credit union by ensuring operations are conducted in accordance with governing rules and regulations and assets are properly administered. The committee retained the services of a professional outside Certified Public Accountant firm, CliftonLarsonAllen LLP, to perform a comprehensive annual audit and received a "clean opinion." Additionally, the National Credit Union Administration/State of Minnesota Department of Commerce conducted a thorough examination of the credit union's operations as of December 31, 2019.

Based on the Supervisory Committee's interaction with the Board of Directors, Executive Management, and the Internal Auditor, it is the opinion of the Supervisory Committee that SouthPoint Financial Credit Union is conducting its affairs in a fiscally safe manner and the financial statements presented in the annual report fairly represent the condition of SouthPoint Financial Credit Union at year end 2019.

Tammy Helget, Adam Seifert, & Jerry Forster,
Supervisory Committee

FINANCIAL STATEMENT

Balance Sheet	2018	2019
Assets		
Total Loans to Members	\$278,763,640	\$289,972,549
Cash and Dues	\$30,672,643	\$40,679,075
Investments	\$17,208,141	\$10,364,398
Other Assets	\$26,199,094	\$28,016,078
Total Assets	\$352,843,518	\$369,032,100

Liabilities/Savings Equity		
Other Liabilities	\$26,992,647	\$26,444,927
Share Accounts	\$134,700,213	\$137,895,722
IRAs	\$7,806,077	\$7,852,202
Money Market Certificates	\$71,471,091	\$80,062,225
Share Draft Checking	\$64,329,860	\$67,374,827
2nd Market Shares-FHLB	\$692,461	\$768,218
Total Acct. Payable/Savings	\$305,992,349	\$320,398,121

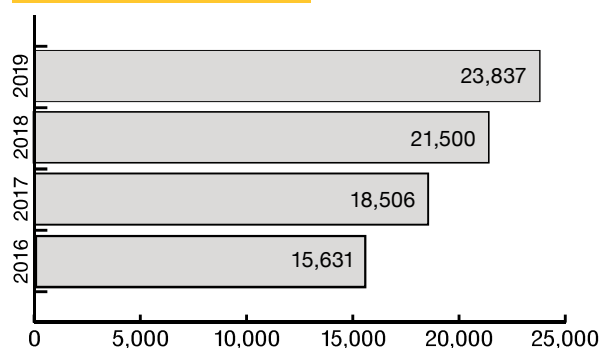
Reserves		
Statutory Reserves	\$3,200,000	\$3,200,000
Undivided Earnings	\$43,796,657	\$45,421,342
Acquired Equity	\$14,909	\$14,909
Accum. Unrealized Gains/ Loss of AFS Securities	(\$160,397)	(\$2,272)
Total Reserves	\$46,851,169	\$48,633,979
Total Savings/Liabilities/Reserves	\$352,843,518	\$369,032,100

Income Statement	2018	2019
Gross Income		
Interest Earned on Loans & Investments	\$12,317,939	\$13,834,959
Miscellaneous Income	\$4,178,172	\$4,676,833
Total Gross Income	\$16,496,111	\$18,511,792

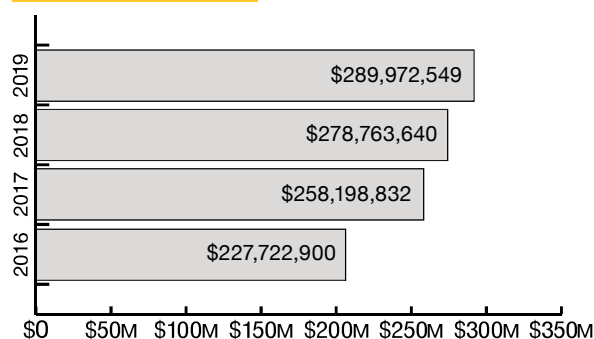
Allocation of Income		
Operating Expenses	\$12,352,328	\$13,381,924
Dividends & Interest Exp	\$1,902,344	\$2,911,301
Total Non-Op Income/Loss	\$480,081	\$593,883
Total Expenses	\$14,734,753	\$16,887,108

Net Income	\$1,761,358	\$1,624,684
-------------------	--------------------	--------------------

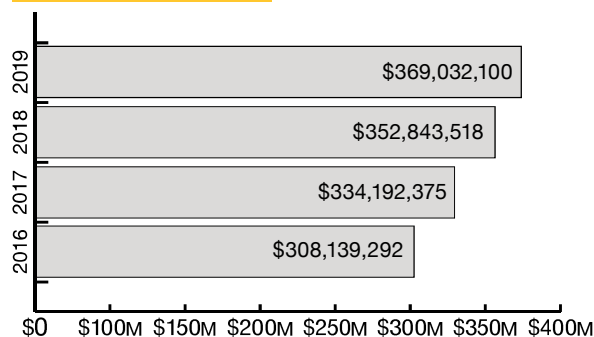
Member Growth



Loan Growth



Asset Growth



Where your
financial future
is the point.

2019 HIGHLIGHTS

Chain of Hearts

SouthPoint hosted our annual Chain of Hearts Campaign where we ask members, community residents, and area businesses to help us raise funds for the local non-profit hospitals of the Children's Miracle Network.

Branches engaged members to raise funds by selling paper chain links and hearts, selling lollipops, holding bake sales, and hosting an online silent auction.



Dick's Retirement

In December 2019, we said our farewells to former president and CEO, Richard "Dick" Nesvold, as he transitioned into retirement after a career with the cooperative. Nesvold had been with SPFCU since 1989 and CEO since 1996.

Throughout his career, Nesvold was inducted into the International Executive Volunteer corps, was a former Board Chair of the state trade association, Minnesota's Credit Union Network Professional of the Year 2012, a member of the Cooperative Network Board of Directors and was inducted into the Credit Union House Hall of Leaders in Washington, DC.

"On behalf of the Board of Directors, I thank Dick for his 30 years of dedication to SouthPoint and its members," said Gordie Osmonson, SouthPoint Board Chairman.

We will miss you, Dick!



Marketing Awards

SouthPoint Financial Credit Union was a recipient of four Minnesota Credit Union Network Marketing Awards. The award program recognizes outstanding efforts in the areas of branding, community impact and outreach, digital advertising, video and complete campaigns.

SouthPoint was a marketing award recipient in the \$250 million to \$500 million asset category for Community Impact and Outreach for Money Tip Monday; complete campaign for Share the Green; Digital Advertising for Nailed It – Spotify advertisement; and video for Nailed It.



CU Forward Day

In 2019, SouthPoint joined more than 50 other Minnesota credit unions in spreading kindness by participating in volunteer activities that benefit the communities they serve.

Staff members from SouthPoint spent the day making, and then donating, fleece tie blankets to our surrounding communities. Additional groups of staff also sorted and packed food for three children's weekend food backpack program initiatives in Brown, McCleod, and Nicollet counties.



LEADERSHIP TEAM



JAY GOSTONCZIK
President/CEO

PATTI GOHL
Chief Operations Officer

AL PETERSON
Chief Financial Officer

TROY DIEDRICH
Chief Experience Officer

BOARD OF DIRECTORS



GORDON OSMONSON
Chair

MATT LUX
Vice-Chair

JEFF IBBERSON
Secretary



BOB WEISS
Director

MARK BRUGGEMAN
Director

MIKE KRUEGER
Director

SCOTT SUPRENANT
Director

SUPERVISORY COMMITTEE



TAMMY HELGET
Committee Chair

ADAM SIEFERT
Committee Member

JERRY FORSTER
Committee Member

Branches

SLEEPY EYE

920 East Main
Sleepy Eye, MN 55085

SPRINGFIELD

975 West Central Street
Springfield, MN 56087

NEW ULM

706 N. German Street
New Ulm, MN 56073

SAINT PETER

105 S. Third Street
Suite #100
Saint Peter, MN 56082

NORTH MANKATO

1800 Commerce Drive
North Mankato, MN 56003

HUTCHINSON

1250 Highway 15 South
Hutchinson, MN 55350

WACONIA

502 Cherry Drive
Waconia, MN 55387

SouthPoint Divisions



*Securities and advisory services offered through Cetera Advisor Networks LLC, member FINRA/SIPC. Investments are: • Not FDIC/NCUSIF insured • May lose value • Not financial institution guaranteed • Not a deposit • Not insured by any federal government agency. Cetera is under separate ownership from any other named entity. *Consult your legal or tax counsel for advice and information concerning your particular circumstances. Neither Cetera nor any of its representatives may give legal or tax advice.