

2020 ANNUAL REPORT

MESSAGE FROM THE CEO



As we navigated the challenges of 2020, the only certainty was that the pandemic affected every member of the SouthPoint community in some way. SouthPoint's members and staff faced significant and unique challenges. Despite the stay-at-home orders, social distancing, and safety protocols, we have been able to continue to keep our employees and members safe and continue to be here to support our members, employees, and the communities we serve. Thank you for your patience and understanding throughout this past year.

At the onset of the pandemic, we identified and delivered on six goals:

- 1) Put the safety, health, security, and well-being of our people first. This includes their families and our members as a top priority.
- 2) Ensure continuing operations to serve our member's needs.
- 3) Do our part in helping to contain the outbreak.
- 4) Committed to staying abreast of the evolving situation and providing appropriate guidance to members and our team.
- 5) Decisions would be driven by guidance from the CDC, WHO, and local governments and authorities, and
- 6) Help impacted staff and members now and beyond through this difficult period, including recovery.

We were more prepared than ever before because of previous planning and investments in technology and infrastructure, enabling us to quickly implement steps to achieve these goals.

While the world had changed, SouthPoint's focus has not. We are committed to building strong relationships and putting members first, and adding value by a sincere commitment to doing the right thing for the right reasons. It is the basis for how SouthPoint has sustained a very

strong financial position, long-term growth, 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.

In spite of the many challenges, financially it was another outstanding year. We grew assets by 17% to \$431 million, grew member equity by 5% to over \$51 million, grew loans by over 6% making more than \$220 million in new loans, and generated net income of \$2.4 million with an ROA of .61%. In addition, membership grew by 10% to over 26,000 members, and we opened our seventh branch office in Waconia. This was all accomplished while managing costs, maintaining appropriate credit risk, and increasing the overall strength of the credit union. The effect is a strong capital ratio with Net Worth to Total Assets at 11.83%. The Board and management team are committed to maintaining a balanced and financially strong organization.

While we look forward to the opportunities of the future, many thanks are in order. We would like to thank staff for their dedication and hard work through an atypical year. 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.

You've chosen us as your financial institution, and we take that responsibility seriously. We're honored to serve you every day and help you achieve your financial goals. Thank you for your partnership, loyalty, and trusting SouthPoint with your financial needs.

Jay Gostonczik, President/CEO

CORE VALUES

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

MESSAGE FROM THE BOARD

2020 was a year full of changes at SouthPoint. Jay completed his first year as CEO, Gordie Osmonson retired from the board after the annual meeting, and I was elected Board Chair at the organizational meeting following the annual meeting. It is an honor to follow in Gordie's footsteps as SouthPoint moves forward. I have learned a lot in the 20 years that I served on the board with Gordie, most of those years as Vice Chair. Gordie was a strong influence on the success of SouthPoint during his tenure. As a Board, it is our duty to keep SouthPoint financially strong into the future.

There were many challenges in 2020. The obvious I will not mention by name. Staff and management worked hard to adapt and overcome the challenges presented to them. Many people in the organization shifted jobs and responsibilities to accomplish the overall organizational objectives. At the start of the year, who ever heard of PPP loans, Zoom video conferencing, Stimulus Payments, and the heavy reliance on working remotely? The move in mortgage interest rates was also a positive for SouthPoint's mortgage business both with the refinance market and new loan production. This added additional workload to the staff at the same time they were working on PPP Loans. SouthPoint also opened a new location in Waconia. These ever-changing items made for some interesting board meetings early in the year. But, at the

end of the day, business still needed to go forward, just done a little differently.

Looking forward, SouthPoint will have a busy year in 2021. With all the change comes new ideas and energy. I assure you that the Board and management are working hard to lead SouthPoint into the future. Technology will be a major focus in the next 12 months. There will be upgrades made to the core system that will enable us to better serve member's needs while keeping data secure. The Board will have a different look as we add two more members growing to nine. As we grow our membership and geographical area it is prudent to add to the Board. The Board and management will continue to challenge each other on new initiatives and objectives as we work towards a new normal.

In closing, I would like to thank the management and staff for all their hard work and commitment to SouthPoint. Everyone had work and family circumstances that had to be addressed. Your hard work is what makes SPFCU a success. I would also like to thank my fellow board members for their service and commitment to SouthPoint and its members. Most of all, I would like to thank all the members for their continued support.

Matthew Lux, Board Chair



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 2020 were Tammy Helget 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" as of December 31, 2020. Additionally, the National Credit Union Administration/State of Minnesota Department of Commerce had 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 2020.

Tammy Helget and Jerry Forster,
Supervisory Committee

FINANCIAL STATEMENT

Balance Sheet	2019	2020
Assets		
Total Loans to Members	\$289,794,380	\$308,332,443
Cash and Dues	\$40,857,243	\$63,477,141
Investments	\$10,364,398	\$27,780,954
Other Assets	\$28,016,079	\$32,243,176
Total Assets	\$369,032,100	\$431,833,713

Liabilities/Savings Equity		
Other Liabilities	\$26,444,927	\$12,869,984
Share Accounts	\$137,895,722	\$194,298,222
IRAs	\$7,852,202	\$9,349,374
Money Market Certificates	\$80,062,225	\$73,597,819
Share Draft Checking	\$67,374,827	\$89,290,185
2nd Market Shares-FHLB	\$768,219	\$1,202,716
Total Acct. Payable/Savings	\$320,398,122	\$380,608,300

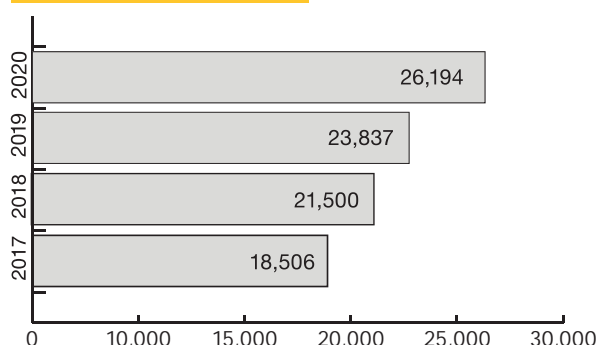
Reserves		
Statutory Reserves	\$3,200,000	\$3,200,000
Undivided Earnings	\$45,421,342	\$47,883,032
Acquired Equity	\$14,909	\$14,909
Accum. Unrealized Gains/ Loss of AFS Securities	(\$2,272)	\$127,472
Total Reserves	\$48,633,979	\$51,225,413
Total Savings/Liabilities/Reserves	\$369,032,100	\$431,833,713

Income Statement	2019	2020
Gross Income		
Interest Earned on Loans & Investments	\$13,834,959	\$13,411,971
Miscellaneous Income	\$4,676,834	\$7,496,253
Total Gross Income	\$18,511,793	\$20,908,224

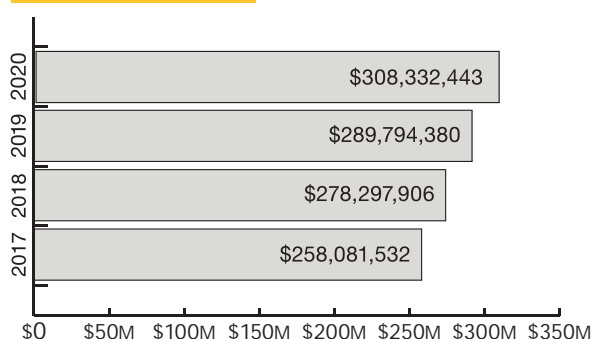
Allocation of Income		
Operating Expenses	\$13,110,760	\$14,243,146
Dividends & Interest Exp	\$3,502,732	\$3,037,985
Provision for Loan Loss	\$271,164	\$1,150,812
Total Non-Op Income/Loss	\$2,451	\$14,591
Total Expenses	\$16,887,107	\$18,446,534

Net Income	\$1,624,685	\$2,461,690
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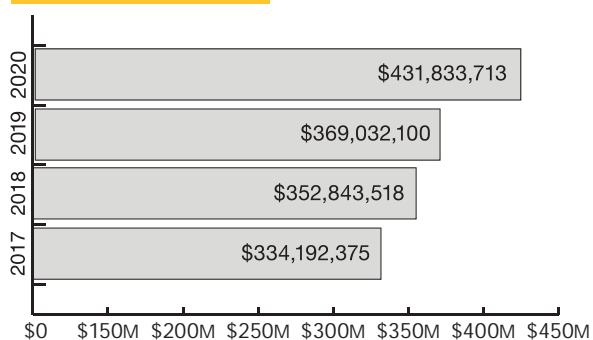
Member Growth



Loan Growth



Asset Growth



Where your
financial future
is the point.

2020 HIGHLIGHTS

Foundation Scholarships

Five area high school seniors were awarded scholarships from the SouthPoint Foundation during their inaugural year of giving. Recipients of a \$1,000 scholarship were: Emily Appel (New Ulm Public High School), Kyle Goblirsch (New Ulm Cathedral High School), Noah Koller (Le Sueur Henderson High School), Nolan Hovland (Springfield Public High School), and Rachel Hohensee (New Ulm Public High School).



State Awards

The credit union was honored with two awards by Minnesota Credit Union Network and the Credit Union National Association. SouthPoint was a recipient of a 2020 Dora Maxwell Social Responsibility Community Service Award for our CU Forward Day efforts, and a 2020 Louise Herring Philosophy-in-Action Member Service Award for our Employer Benefit Program.



Branch Opening

Last year marked the official opening of our Waconia branch. SouthPoint invited members and the public to join us at the branch for a hot cocoa bar, member specials and giveaways during opening week in January. The branch also had an official socially-distant grand opening during the Member Events in September.



Marketing Awards

SouthPoint Financial Credit Union was a recipient of five 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 Branding, Putting Community First; Complete Campaign, Waconia Branch Opening; Digital, Non-member automated email journey; printed, 2019 annual meeting report; and video, Putting Community First.

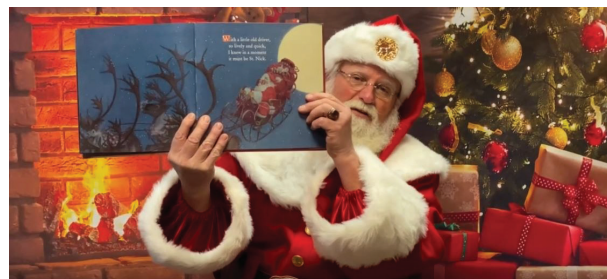


Member Appreciation Event

SouthPoint was excited to be able to host socially-distant and virtual events for our members in 2020. Our drive-thru member events were hosted in September, and we were happy to see our member's smiling faces as they drove through and picked up a SouthPoint swag bag.

Virtual Santa Day

Santa made a special visit to SouthPoint in and read Christmas stories to more than 150 families over five Virtual Sessions. He even recorded 'Twas the Night Before Christmas, which was shared on the SouthPoint Facebook page on December 24.



LEADERSHIP TEAM



JAY GOSTONCZIK
President/CEO

PATTI GOHL
Chief Operations Officer

AL PETERSON
Chief Financial Officer

TROY DIEDRICH
Chief Experience Officer

BOARD OF DIRECTORS



MATT LUX
Chair

MIKE KRUEGER
Vice-Chair

BOB WEISS
Director



MARK BRUGGEMAN
Director

JEFF IBBERSON
Director

SCOTT SURPRENANT
Director

ADAM SIEFERT
Director

SUPERVISORY COMMITTEE



TAMMY HELGET
Committee Chair

JERRY FORSTER
Committee Member

CHARLIE GRAVELLE
Committee Member

COMMUNITY ADVISORY COMMITTEE



JACOB SANKEN
Committee Member

JENNIFER ASMUS
Committee Member

ASH GOYAL
Committee Member

SouthPoint Divisions



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