



MERCK EMPLOYEES FEDERAL CREDIT UNION

Your Prescription to Financial Health.

2021 Annual Report





Report of the Chairman & the President:

2021: Meeting Members' Needs When It Mattered the Most

In 2020 the world was gripped by a global pandemic that turned normal life upside down. From the transformation in how employees did their jobs, to the jolt many businesses felt from not being able to serve customers in the traditional in-person way, the economy was altered in a way not seen since the 2008 financial crisis.

While there was hope that the pandemic would be behind us after 2020, that was certainly not the case. In many ways 2021 was more challenging from an economic and health perspective, but it also displayed the innovative spirit of America. Worker productivity stayed strong as work-from-home became the norm and companies gave employees the tools to succeed. Small businesses began to find new ways to serve customers. The restaurant sector as an example mastered outside dining, in all climates, as well as adopting more at-home delivery options for customers. Consumers adjusted to health safety protocols that changed how they worked, shopped and went to school. America was living with the pandemic, but it certainly presented financial challenges and brought sorrow to many who had loved ones impacted by covid in devastating ways.

At the credit union our mindset was simple—we wanted to be there for our members when they needed us the most. While many financial institutions closed branches or altered hours, we by and large were in place as we would be in normal times, with of course new protocols to keep our most valuable assets safe—our dedicated employees. We were open for business and we were open safely. We migrated more and more services online to make it more convenient for members to do business with us.

But beyond the stellar service levels that we were able to maintain during the pandemic, we wanted to continue to deliver on our core tenet of providing

exceptional member value in all economic climates. Members might wonder why the pandemic would be any more challenging of a time for the credit union to deliver value than normal times? The core reason was the historically low interest rate environment we were operating in. The Federal Reserve reacted to the pandemic with sweeping rate reductions that were designed to keep the economy strong. Make no mistake, the rate environment from when the pandemic started in early 2020 through the entirety of 2021 was not just low, it was the lowest on record for such an extended period-of-time in our nation's history.

For the credit union, this was a direct hit to our multi-billion dollar investment portfolio. The low rates created a margin squeeze on financial institution balance sheets and we were no exception. However, staying disciplined in our approach and years of effective balance sheet management means your credit union can withstand tough economic times and still deliver value. And deliver value we did. Throughout the pandemic the credit union paid a share dividend rate that was more than 10 times the national average and as always offers members complete access to their funds with no minimum balance requirements or timed-deposit requirements. Our members

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Pictured left to right: Paul Gentile, President/CEO and Jeffrey Hack, Chairman



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responded to the value by increasing shares by 10.67%, or more than \$200 million from 2020.

We also continued to deliver value on the borrowing side of the balance sheet with very competitive loan rates, increasing our loans outstanding by 8.37% or more than \$15 million. Driving that loan growth was very strong first mortgage activity as members wisely took advantage of historically low mortgage rates.

Beyond the dollars and cents of our business, the credit union is a people business. We are continually getting to know our members better and helping them with their financial needs.

The credit union continued its commitment to Financial Wellness in 2021. There was a significant increase in usage of our online Financial Wellness Center as more and more members educated themselves on a range of financial topics. We also doubled down on fraud prevention efforts as we sadly saw more members falling victim to scammers in a variety of ways. One of the most disturbing trends was a rise in Elder Financial abuse. Members should be aware that the credit union's entire employee base is trained in stopping Elder Financial abuse and we will take all appropriate measures when we suspect

a member is at risk. We also continue to advise members not to provide any account or personal information to any entity they are not familiar with. Often members come to the credit union when it is too late. They have already given out their personal data. We encourage members to stop, pause and question why they are providing data to an entity before doing so. We will continue the battle against fraudsters and ask our members to keep a careful eye on their data and not share their data with any entity or individual they are not familiar with.

We are grateful for our members' continued dedication to the credit union in 2021. It was another challenging year stemming from the effects of the pandemic, but working cooperatively together we were able to provide exceptional member value during an unprecedented time. It is only with our members' ongoing commitment that we can continue to deliver on our core tenet of providing exceptional member value. We look forward to serving you in 2022 and beyond.

Respectfully submitted,
Jeffrey Hack, Chairman
Paul Gentile, President

Supervisory Committee Report

The Supervisory Committee is an autonomous committee appointed by the Credit Union's Board of Directors and is responsible for the financial audit. The Supervisory Committee met periodically throughout 2021 to monitor office operations and perform random account verifications. To assist the Credit Union, the Supervisory Committee engaged the Certified Public Accounting Firm of the Curchin Group to conduct the annual audits as of December 31, 2021.

Your Supervisory Committee is pleased to report that the Credit Union is in sound financial condition and the records are in good order. This is based on the results of the Curchin Group's audit and their opinion of the financial statements as well as operating results. A copy of the Certified Audit is available for inspection at the Credit Union office in Rahway, New Jersey.

Respectfully Submitted,
Linda George, Chair
Cynthia Francisco
Lorraine McLeod
Linda Tuma
Anthony Richards

Treasurer's Report

Merck Employees FCU's strong financial performance in 2021 allowed the credit union to continue its tradition of returning value to members with industry-leading deposit and loan rates. In addition, MEFCU continues to have one of the lowest fee structures in the banking sector. The credit union paid out \$23,311,706.26 in member dividends, representing approximately 59% of total income. Total deposits ended 2021 at 2,135,836,400 up from 1,929,903,095 in 2020. The average share balance at year end was \$85,515.55. Loans granted to members were \$55,733,022, up from \$50,880,764. Total loans outstanding ended 2021 at \$176,807,522, up from \$163,227,741 in 2020.

Providing members with a safe and sound institution is always one of our top priorities. In 2021 the credit union's Net Worth was 10.63%. As a federally-chartered and federally-insured credit union through the National Credit Union Administration, the credit union is required to maintain 7% capital to be considered "well-capitalized." At over 10% we are well above the requirement, demonstrating the credit union's financial strength. With the support of Merck, our corporate sponsor, we continue to maintain a lower expense ratio compared to our peer credit union group. In 2021 operating expenses were \$7,356,112, representing just 18.60% of total income.

Respectfully Submitted,
Andrea Krysienski, Treasurer



Your Credit Union Ranks as One of the Healthiest Financial Institutions in 2021

You know your credit union best by the accounts you have and the services you use, but you may not know that Merck Employees Federal Credit Union ranks as one of the healthiest financial institutions in America on almost every metric. From net worth and delinquency, to liquidity and earnings, Merck EFCU delivers on its core tenet of returning member value while maintaining a healthy and strong balance sheet that can withstand any economic climate. Here's a look at some of our healthy indicators from 2021:



It's Five Stars for Your CU!

Merck Employees Federal Credit Union has once again been awarded the highest possible financial health rating by Bauer Financial, an independent rating agency for credit unions and banks.

The 5-star rating reaffirms the credit union's excellent financial health. Bauer Financial utilizes a number of financial measurements to rate institutions by pulling data directly from the institution's regulatory filings. In the case of MEFCU, the rating is based on the credit union's Call Report data from the National Credit Union Administration that can be found on www.ncua.gov. Some of the key criteria Bauer utilizes to determine the rating includes capital ratio, liquidity, delinquency, earnings, charge-offs, and others. "The credit union's financial stature has been built by using sound principles and practices that ensure solid financial footing no matter what type of economic environment we are in. The board and credit union team are dedicated to ensuring the credit union is operating with the highest standards for safety and soundness," said MEFCU President Paul Gentile.

BauerFinancial has been rating institutions since 1983. Bauer is not paid by institutions for the rating. Consumers can view institution ratings by visiting www.bauerfinancial.com.

Merck EFCU Named in the Top 200 CUs

DepositAccounts.com, an independent and unbiased bank comparison site, recently name Merck Employees FCU in the top 200 healthiest credit unions giving it an A+ in overall financial institution health.

The article notes the credit union's simple product line-up, low fees and minimums and overall great rates which surpass 94% of all deposit accounts. Both the savings account and IRA offer the top rates of all institutions reviewed by DepositAccounts.com.

"Merck Employees Federal Credit Union has an overall health grade of 'A+' at DepositAccounts.com, with a Texas Ratio of 0.35% (excellent) based on March 31, 2021 data. In the past year, MEFCU has increased its total non-brokered deposits by \$316.72 million, an excellent annual growth rate of 18.32%," said the article.

"We are pleased to be recognized for our strong financial health," said MEFCU President Paul Gentile. "The board and credit union staff work diligently to ensure members' funds are protected and our rates and fees are designed around the credit union philosophy of returning value back to the membership."



Your Credit Union Ranks as One of the Most Efficient Financial Institutions in 2021

New York Business Journal recently featured Merck Employees FCU as one of the most efficient credit unions in America. The [article](#) featured the credit union's President/CEO Paul Gentile and is part of a series the journal is doing looking at several different industries.

The top 20 of the full 100 are listed with Merck Employees FCU positioned at number one. The credit union has twice as many deposits per full-time employee than the number two credit union on the list.

To access the full article, please click [here](#).



Your Credit Union Gives Back in 2021

Merck Employees FCU lives the philosophy of “people helping people” and 2021 was a year of giving for the credit union. Not just in low loan rates and fees or the country’s highest dividend on savings, but in the form of financial education and charitable giving.

Pennies for Puppies has been one of the longest running charities in the credit union’s history—encouraging our members to drop off pennies to help area residents in receiving seeing eye dogs. This year though, the credit union donated one million pennies, or \$10,000, to the Seeing Eye Foundation. The funds will be used to obtain, train and raise a seeing eye dog.



Pictured left are some of the NJ MEFCU employees along with one of the Seeing Eye Foundation puppies in the back left of the photo.

Also during 2021, the credit union helped support the local food bank,



Rahway Food for Friends through a charitable donation. Two of the credit union’s volunteer board members, Charles Orgelfinger (left) and Douglas Christie (right), along with President/CEO Paul Gentile (center) presented the check to Rahway Food for Friends Administrator/Board Member Latoya Washington (far right).

Elder Financial Abuse is a critical issue facing all of us. Understanding the impact and how to avoid or spot elder financial abuse is important for members and their families to understand. In 2021, Merck EFCU teamed up with the Consumer Financial Protection Bureau to bring a free educational webinar to members and their families and friends. The webinar is available on our website for future viewing, along with other free educational webinars on various topics. To access the webinars, visit www.merckcu.com, choose “Resources” from the top menu and choose “Financial Webinars”.

**A Concerted Effort:
Elder Financial Abuse
Prevention**

Presented by the Merck Employees Federal Credit Union
Featuring the Consumer Financial Protection Bureau



Board of Directors



Jeffrey Hack
Chair



Patrick Ruane
Vice Chair



Andrea Krysienski
Treasurer



Raffalle Karby
Secretary



Lisa Auerbach



Douglas Christie



Ronald Coleman



Charles Orgelfinger



Bernard Wisniewski



Supervisory Committee



Linda George
Chair



Cynthia Francisco



Lorraine McLeod



Anthony Richards



Linda Tuma



MERCK EMPLOYEES FEDERAL CREDIT UNION
STATEMENTS OF FINANCIAL CONDITION
(IN THOUSANDS)
DECEMBER 31,

ASSETS	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 69,551	\$ 96,641
Interest-bearing time deposits	50,769	51,016
Available-for-sale debt securities	808,798	734,793
Held-to-maturity debt securities	1,255,691	1,129,355
Equity securities - restricted	2,236	2,197
Loans receivable, net of allowance for loan losses	176,412	162,733
Accrued interest receivable	9,361	9,146
Furniture, equipment and improvements, at cost, less accumulated depreciation	1,742	1,699
Other investments	5,910	1,078
Other assets	1,346	1,057
Deposit in the National Credit Union Share Insurance Fund	16,212	14,269
	<u>\$ 2,398,028</u>	<u>\$ 2,203,984</u>
 LIABILITIES AND MEMBERS' EQUITY		
Members' share and savings accounts	\$ 2,135,836	\$ 1,929,903
Dividends payable	5,666	5,911
Accrued expenses and other liabilities	1,184	2,388
	<u>2,142,686</u>	<u>1,938,202</u>
 COMMITMENTS AND CONTINGENCIES		
MEMBERS' EQUITY:		
Regular reserves	15,119	15,119
Contingency reserves	70,278	70,278
Undivided earnings	169,579	160,854
Accumulated other comprehensive income	366	19,531
	<u>255,342</u>	<u>265,782</u>
	<u>\$ 2,398,028</u>	<u>\$ 2,203,984</u>



MERCK EMPLOYEES FEDERAL CREDIT UNION
STATEMENTS OF INCOME
(IN THOUSANDS)
YEARS ENDED DECEMBER 31,

	<u>2021</u>	<u>2020</u>
INTEREST INCOME:		
Loans receivable	\$ 5,797	\$ 6,155
Securities and other deposits	<u>30,642</u>	<u>33,105</u>
	36,439	39,260
INTEREST EXPENSE -		
Members' share and savings accounts	<u>23,312</u>	<u>25,750</u>
NET INTEREST INCOME	13,127	13,510
PROVISION (BENEFIT) FOR LOAN LOSSES	<u>(18)</u>	<u>109</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>13,145</u>	<u>13,401</u>
NON-INTEREST INCOME:		
Net gain (loss) on investments	350	(545)
Gain on sale of OREO	-	117
Loss on disposal of equipment	-	(13)
Fees and charges	1,262	260
NCUSIF refund	<u>1,203</u>	<u>-</u>
	<u>2,815</u>	<u>(181)</u>
NON-INTEREST EXPENSES:		
Salaries and employee benefits	3,100	3,020
Office operations	1,778	1,486
Professional and outside services	555	551
Other	<u>1,802</u>	<u>1,590</u>
	<u>7,235</u>	<u>6,647</u>
NET INCOME	<u>\$ 8,725</u>	<u>\$ 6,573</u>