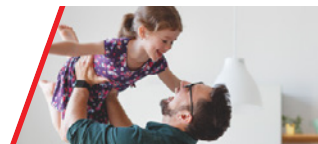


A black and white photograph of a diverse group of people, including men, women, and children, walking together in a grassy park area with trees in the background. A blue diagonal overlay covers the left side of the image, containing the title and tagline.

2019 ANNUAL REPORT

Building Stronger Communities Together

Letter from Chairman and President



Dave Kintz
Chairman



R. Michael Lee
President/CEO

We are happy to report that your credit union had one of the best years on record with \$2,243,668 of income! Not only have we continued to make KCT a safe and sound institution for your deposits, but we continue to serve the needs of our communities with some of the following highlights for 2019:

- 2,832 New Members
- 3,310 New Checking Accounts
- 4,467 Consumer Loans
- 139 Mortgages

KCT supported our philosophy of *"Building Stronger Communities Together"* by giving back to our school districts through our Affinity Card programs with a total giveback of \$12,317 in 2019. The *"Card with Purpose"* is a way that KCT supports our school districts and other not-for-profits in our communities.

New product offerings to better serve members were also a highlight for 2019

with Checking Plus introduced and Health Savings Accounts (HSA) developed in connection with a need from one of our local school districts.

In our efforts to promote Financial Wellness, KCT continues to partner with employers to help their employees live better financially through financial education and application provided through the many KCT Products and Services. To support our commitment in 2019, KCT developed a new Financial Wellness Educator position as a resource for our employer partners. Through this position we offer a number of different seminars to assist individuals in their pursuit to live better financially.

Our success in 2019 would not have been possible without your support! Thank you for not only being members, but being advocates for your credit union, telling your neighbors, friends and relatives about KCT.

KCT Board of Directors

Chairman



Dave Kintz
ECC Chief of Police

Vice Chairman



Kim Wagner
Vice President of Business and Finance at ECC

Treasurer & Secretary



Melanie Meidel
Retired U-46 Administrator



Jaime Garcia
Executive Director at Centro de Información



Patrick Mogge
Dir. of Community Engagement & Outreach, Township High School District 214



Keith McTyer
Safety Officer at Elgin Mental Health Center



Fred Heid
District 300 Superintendent



Ray Denning
Retired Educator



Carole Medal
Executive Director at Gail Borden Public Library

Affinity Cards & Partnerships



For 2019, KCT's Affinity Card programs were in full swing for school districts U46, D300, Batavia, Geneva and East/West Aurora. With every purchase made using the affinity cards, a portion of the transaction was given to the educational foundations of each district.

We are pleased to announce that a total of \$12,317 was raised last year! This money will help fund educational foundations, and their mission of supporting teachers and students. To learn more about these programs and to get your very own affinity card showing your school pride, visit kctcu.org/About/Affinity-Programs.

KCT is also pleased to announce the launch of new Affinity Card programs for Gail Borden Public Library, benefiting the Gail Borden Public Library District Foundation, and Elgin Community College, benefiting the ECC Foundation. To learn more about these programs, visit GailBorden.kctcu.org and ECC.kctcu.org.



Partnerships

KCT welcomed CartonCraft as a new Select Employee Group in 2019. CartonCraft is a long-time employer of over 30 years in St. Charles, delivering folding carton solutions that help customers meet their goals. All 150 of their employees now have access to KCT's products and services.

KCT representatives hosted over 75 credit union days, several professional development days, and numerous career expos including the U46 Explore 2019 event with over 3,000 students. At each of these events, KCT representatives had the opportunity to answer questions and educate the community on the products and services we have available.

Financial Wellness seminars were also a big part of 2019. With the addition of our new Financial Wellness Educator position in September, KCT was able to offer 10 seminars on-site at local school districts and community centers. Topics included Building a Basic Budget, Preventing Identity Theft, Steps to Home Buying, Understanding Credit, and more.

Multiple shred events were hosted throughout the area, allowing the public to safely and securely dispose of their personal documents for free, while also allowing them to learn more about KCT Credit Union. KCT also sponsored numerous other events including the Kane County Educator of the Year, U46 Superintendent Scholarship, D300 Back to School Fair, and the U46 Career and Curriculum Expo. Follow us on Facebook at KCT Credit Union for the latest updates on our events, products and services.

Statement of Financial Condition



Years ending December 31,

ASSETS

	2019	2018
Loans	\$ 180,962,908	\$ 149,036,935
Allowance for Loan Losses	(2,537,839)	(2,166,913)
Cash and Cash Equivalents	8,690,498	14,285,764
Investments	46,100,525	59,110,201
Fixed Assets, Less Depreciation	6,863,406	6,413,404
Other Assets	22,146,304	21,905,998
Total Assets	\$ 262,225,803	\$ 248,585,387

LIABILITIES

Accounts Payable, Other	\$ 1,454,341	\$ 1,438,051
-------------------------	--------------	--------------

RESERVES

Regular Reserves	\$ 12,600,000	\$ 10,600,000
Undivided Earnings	17,021,902	16,778,233
Equity Acquired in Merger	741,673	741,673
Other Comprehensive Income (Loss)	187,758	(1,153,480)
Total Reserves	\$ 30,175,817	\$ 26,966,426

MEMBERS' EQUITY

Regular Shares	\$ 128,095,583	\$ 126,796,972
All Other Shares	102,500,062	93,383,939
Total Members' Equity	\$ 230,595,645	\$ 220,180,911

Total Liabilities, Members' Equity and Reserves

\$ 262,225,803 **\$ 248,585,387**



Kim Wagner
Vice Chairman &
Credit Committee
Chairman

Report of the Credit Committee

KCT loan growth, as of December 2019, continues as it has the past several years. Our Membership, Sponsor Employee Groups and the Communities we serve have continued to recognize the enormous savings KCT loan products offer. Members look to KCT when they have a financial need because KCT educates and provides safe, affordable loan products while sustaining sound loan growth.

KCT's net loan growth as of year ending December 2019 was \$31.9 million, or 21%, over December 2018. Every consumer loan type experienced growth in 2019 other than a small pool of participation loans. The largest growth came from our Consumer and Mortgage lending products. December 2019 Loan-to-Share and Loan-to-Assets increased to 78.48% and 69.01%, respectively, compared to December 2018 ratios of 67.69% and 59.95%, respectively.

Statement of Income



Years ending December 31,

OPERATING INCOME

	2019	2018
Interest on Loans	\$ 9,251,645	\$ 7,126,337
Interest on Investments	2,679,588	2,991,411
Service Charges on Deposits and Loans	1,067,660	1,046,283
Other Operating Income	2,881,158	2,436,063
Total Operating Income	\$ 15,880,051	\$ 13,600,094

OPERATING EXPENSE

Compensation and Benefits	\$ 5,897,815	\$ 5,513,511
Office Occupancy	674,379	653,236
Office Operations	893,137	857,922
Professional and Outside Services	672,828	665,984
Loan Servicing	477,974	416,071
Marketing and Promotion	198,937	152,810
Operating Expense, Misc.	1,214,070	828,796
Provision for Loan Losses	1,609,233	1,524,565
Borrowing Interest	1,285,331	1,176,334
Supervisory, IDFPF	63,791	47,768
Total Operating Expense	\$ 12,987,495	\$ 11,836,997

Net Operating Income Before Dividends	2,892,556	1,763,096
Dividends Paid to Members	369,776	276,276
Net Income from Operation	\$ 2,522,780	\$ 1,486,820

NON-OPERATING INCOME (EXPENSE)

Gain (Loss) on Investments	(4,798)	(20,706)
Gain (Loss) on Disposition of Assets	(57,316)	—
Other Non-Operating Income (Expense)	(216,997)	(7,625)
Total Non-Operating Income (Expense)	\$ (279,112)	\$ (28,330)

NET INCOME	\$ 2,243,669	\$ 1,458,489
-------------------	---------------------	---------------------



Ray Denning
Supervisory Committee
Chairman

Report of the Supervisory Committee

The Supervisory Committee's responsibility is to serve KCT's members by ensuring that the Credit Union is operated in accordance with its By-Laws, the Illinois Credit Union Act, and Generally Accepted Accounting Principles. This committee receives and reviews member inquiries and resolves any problems that may exist.

The Supervisory Committee contracted the accounting firm Selden Fox Ltd, of Oak Brook, Illinois to perform an annual audit of the credit union. Their report, dated February 13, 2020, states that their audit was performed in accordance to auditing standards generally accepted in the United States of America. Selden Fox CPAs concluded that the financial statements present fairly, in all material respects, the financial position of Kane County Teachers Credit Union as of December 31, 2019 and 2018, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

KCT Credit Union contracted Selden Fox for quarterly compliance and procedural assessments. These proactive assessments address emerging regulations and protect our members.

Awards in 2019



**Desjardin Youth
Financial Education**
First Place



**Louise Herring
Philosophy in Action**
Second Place



**Desjardin Adult
Financial Education**
Honorable Mention

KCT is proud to have won three CUNA Awards in 2019. The ***Desjardin Youth Financial Education Award*** recognizes leadership within the credit union movement on behalf of financial literacy for all ages. When KCT opened two new branches in the Gail Borden Public Library System in 2018, it made sense for KCT's financial literacy education to be paired with the library's literacy education. This led KCT to create two new product offerings for our members. Our Youth Savers account includes bonus deposits for savings, higher interest rates, a piggy bank, and budgeting worksheets for kids to use. Our Teen Checking account is designed to help teens establish their first banking relationship, including a free debit card with no overdraft services to avoid fees while they learn to responsibly manage their account. It also includes access to KCT's Online/Mobile Banking platforms with budgeting tools.

In addition to the Youth Award, KCT also won the ***Desjardin Adult Financial Education Award***, which recognizes leadership within the credit union movement on behalf of financial literacy for adults. KCT has partnered with Student Choice to offer student loan refinancing. This put us in a unique position to help our members, as many financial institutions do not offer this. We also educated our members about how to look into student loan forgiveness.

The ***Louise Herring Award*** is given to credit unions that offer internal programs and services that benefit membership. KCT partnered with Gail Borden Library to offer financial wellness seminars covering topics such as auto and home buying. These seminars not only provide the community with valuable financial literacy education, they also help teach about the KCT Credit Union difference of ***Building Stronger Communities Together***.

In 2019, KCT earned the ***Editor's Choice™ Award*** for Community Commitment from badcredit.org, an authority site enabling people to make better credit decisions and helping them to create a brighter financial future. KCT has many stories of people whose finances, and lives, have been turned around because someone was willing to listen to their story, look beyond their credit score and relate to them as a person.



Jaime Garcia
*Membership Committee
Chairman*

Report of the Membership Committee

During 2019, KCT Credit Union added 2,832 new members which was higher than 2016 and 2017. Membership was higher in 2019 due to the merger with Elgin Mental Health Employees Credit Union during the fourth quarter of 2018. KCT continues to serve our communities through our partnerships with Select Employee Groups and community involvement.

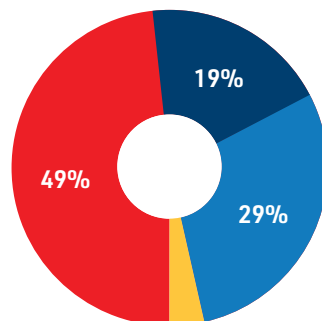
Year in Review



Debt Protection

Members have the option of purchasing KCT's Debt Protection service in case of the unexpected, such as disability, death, involuntary unemployment or family medical leave. Qualifying claims could cancel the member's loan balance or payments up to the contract maximums. 2019 saw a total of 125 claims paying out a total of \$226,015. For more information, visit protection.kctcu.org.

● Disability 49% ● Unemployment 19% ● Life 29% ● Family Leave 3%



\$226,015 in claims paid to our members in 2019

Guaranteed Asset Protection (GAP)

Guaranteed Asset Protection can help fill the gap between what your vehicle insurance will pay and what you owe on your vehicle loan.

\$54,797

18 Claims Paid Total

\$3,044

Average Claim Paid

Mechanical Repair Coverage (MRC)

Big unexpected repairs can happen after your factory warranty expires. Mechanical Repair Coverage can help limit the cost of covered breakdowns.

\$42,785

18 Claims Paid Total

\$2,377

Average Claim Paid

New Membership

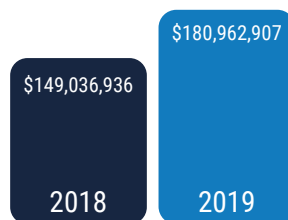
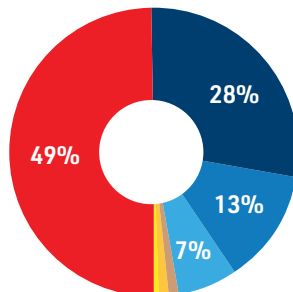
In the last two years, KCT has grown 1421 members more than the years 2015-2017 combined.



Loans

Our total loan assets grew over 20% in 2019 to \$180,962,908 compared to \$149,036,935 in 2018. Consumer loans, such as Auto Loans, are the largest percentage of our loans.

● Consumer 49% ● Mortgage 28% ● Home Equity 13%
● Credit Cards 7% ● Student 1% ● Participation 1%



Total Loans



MISSION STATEMENT

A member owned and controlled financial institution.

VISION STATEMENT

We (KCT) strive to build lifelong relationships with staff, members, and communities based on total disclosure.



AMERICAN SHARE INSURANCE

Your savings insured to \$250,000 per account. This institution is not federally insured.