

What Matters Most

2017 ANNUAL REPORT

chairman and president's report



HERMAN WILLIAMS JR.
Chairman of the Board

For more than 80 years, MECU has been helping our members achieve their financial goals, and 2017 was no exception. From building credit to becoming a first-time homebuyer or paying off high-interest debt, we celebrate our members' small successes as much as the large milestones. We love hearing from our members, and it was inspiring to read over 400 heartwarming stories about how MECU is making a positive difference. We will continue to focus on what matters most to you – service, value, convenience and community.

With a year-end net worth ratio of 11.80%, MECU is very well capitalized and financially strong. Total assets exceeded \$1.17 billion and net income grew to \$5.2 million, a 13.7% increase compared to 2016. For the 37th consecutive year, we gave back a portion of our profits to members through our bonus dividends and loan interest refunds. Over the past 30 years, we've now given back over \$90 million in profits to our members, while providing some of the best deposit and loan rates.



JOHN M. HAMILTON
President & CEO

While strong financial performance is a critical indicator of MECU's overall health, we also measure our success in how well we are serving our members. To that end, we launched several important member surveys and listening initiatives to collect feedback. Our goal was to gather deeper insights from our member-owners to guide our future plans and strategies.

Based on this valuable input, we implemented a number of enhancements to improve our member experience, including a new simplified online mortgage application, an enhanced mobile app and the ability to securely pay for purchases with a mobile phone. There are more improvements to come as we continuously listen to how we can better serve our members' needs.

In addition to ongoing investments in tools and technology to save time and add convenience, we continued to demonstrate our commitment to our hometown by giving back. MECU provided financial support to more than 100 local nonprofits that are doing important work in our communities. Furthermore, our employees generously volunteered more than 4,500 hours last year. Giving back to the community that we love and serve is core to our mission.

We thank you for the trust you place in your credit union. We take great pride in making a meaningful impact in our members' lives and look forward to a prosperous year ahead.

Herman Williams Jr.
Chairman of the Board

John M. Hamilton
President & CEO



ROMAN L. CLARK SR.
Vice Chair



G. LOUISE GREEN
Treasurer



GARY W. MCLHINNEY
Secretary



DEBORAH MOORE-CARTER



ERNEST J. GLINKA

board of directors

STATEMENTS OF FINANCIAL CONDITION

AS OF DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 56,249,216	\$ 32,696,918
Certificates of deposit in other financial institutions	4,702,000	5,447,000
Available-for-sale investments	272,138,469	284,221,826
Loans held for sale	236,568	792,958
Loans to members, net of allowance for loan losses	756,044,563	753,337,078
Accrued interest receivable	2,970,957	2,817,246
Prepaid and other assets	21,012,684	25,405,234
Credit union owned life insurance (COLI)	38,981,624	39,663,160
Property and equipment	10,639,665	10,998,564
NCUSIF deposit	9,975,103	9,771,492
Total Assets	\$1,172,950,849	\$1,165,151,476
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Members' shares and deposit accounts	\$ 996,619,560	\$1,000,920,798
Borrowings	23,904,762	15,172,771
Capital lease obligation	770,779	1,793,855
Accrued expenses and other liabilities	17,281,460	16,801,290
Total liabilities	1,038,576,561	1,034,688,714
Commitments and contingent liabilities		
Members' equity:		
Regular reserve	33,962,275	33,962,275
Undivided earnings	104,474,368	99,278,451
Accumulated other comprehensive loss	(4,062,355)	(2,777,964)
Total members' equity	134,374,288	130,462,762
Total liabilities and members' equity	\$1,172,950,849	\$1,165,151,476

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
INTEREST INCOME:		
Loans to members	\$ 39,074,249	\$ 38,848,427
Investments	6,028,998	6,372,615
Total interest income	45,103,247	45,221,042
INTEREST EXPENSE:		
Members' shares and deposit accounts	5,023,738	5,184,529
Bonus dividends and loan interest rebates	1,132,313	1,142,889
Interest on borrowings	217,605	283,093
Total interest expense	6,373,656	6,610,511
Net interest income	38,729,591	38,610,531
PROVISION FOR LOAN LOSSES	7,160,300	6,914,023
Net interest income after provision for loan losses	31,569,291	31,696,508
NON-INTEREST INCOME:		
Fees and charges	10,979,654	10,475,705
Interchange income	4,887,875	4,432,948
Other	5,902,491	3,927,976
Gain on sale of investments	227,944	441,534
Total non-interest income	21,997,964	19,278,163
NON-INTEREST EXPENSES:		
Compensation and benefits	23,921,148	23,415,249
Office operations	11,423,037	11,132,674
Other	5,427,273	4,390,915
Office occupancy	2,784,250	3,466,130
Loan servicing	2,578,167	2,665,578
Marketing and business development	2,237,463	1,332,570
Total non-interest expenses	48,371,338	46,403,116
Net income	\$ 5,195,917	\$ 4,571,555



LORRETTA
JOHNSON



BENJAMIN I.
MELI JR.



KALIOPE
PARTHEMOS



PEGGY A.
PEACOCK

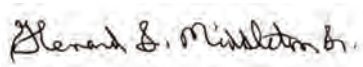


HARRY
DEITCHMAN
Board Director,
Emeritus

credit committee

Appointed by the Board of Directors, the Credit Committee is responsible for reviewing and recommending MECU loan programs, policies and policy revisions; approving lending authority for qualified staff members; reviewing expelled members' requests for reinstatement; reviewing moratorium requests; reviewing the denied loans report and approving real estate appraisers.

As part of its duties, the Credit Committee will review member loan applications that do not meet standard underwriting guidelines, such as those members with credit or debt ratio issues and loan-to-value exceptions. They also review loan requests from credit union officials, Board members and Committee members, who will keep the best interest of MECU and its members in mind.



Glenard S. Middleton Sr.
Chairman

GLENARD S.
MIDDLETON SR.
Chair



MARIETTA
ENGLISH
Co-Chair



STEPHANIE
LANSEY-
DELGADO



HARRY
PEAKER



supervisory committee

The Supervisory Committee is appointed by the Board of Directors. Its responsibilities include ensuring that the financial statements accurately and fairly present the financial condition of the credit union and that management practices and procedures safeguard members' assets.

The Committee approves the annual audit plan and provides an annual report to the Commissioner of Financial Regulation in accordance with the Maryland Credit Union Act.

The Committee meets periodically with the independent accountants, as well as management, to review accounting issues, regulatory issues and internal control procedures. The Committee also assists members with their concerns.

The Supervisory Committee engaged Doeren Mayhew, an independent public accounting firm, as the credit union's external auditor. Doeren Mayhew audited MECU's financial statements in accordance with generally accepted auditing standards, and, in their opinion, the financial statements present fairly, in all material respects, the financial position of MECU as of December 31, 2017.



J. Keith Scroggins
Chairman

J. KEITH
SCROGGINS
Chair



NICOLE
HARRELL



KARA
KING-BESS



JENNEL
ROGERS



serving our members

9,500 NEW MEMBERS



Welcome to those who joined our family in 2017.

4.5 million logins



With online and mobile banking, we were just a click or tap away.

\$141,000



We refunded \$141,000 in other banks' ATM fees back to our members.

In 2017,

we continued our mission to provide excellent member service and support our communities.

As a not-for-profit cooperative, we are passionate about putting people before profits. MECU and the MECU Foundation donated \$300,000 to 100 deserving Baltimore nonprofits and community partners.

Here are a few ways that we helped our members and communities become stronger and more successful.

91



Congratulations to our 91 first-time homebuyers in 2017.

3,600 BOOKS



We donated 3,600 brand new books to local elementary schools.

2,100



Over 2,100 people attended our free financial seminars throughout the year.

4,500 HOURS



MECU employees logged more than 4,500 volunteer hours in the community.

supporting our communities



LEADERSHIP TEAM

John M. Hamilton, President and CEO
Adrian S. Johnson Sr., Sr. Vice President and CFO
Denise Jones-Frasier, Chief of Staff
Kathy Day Shelton, Sr. Vice President and COO
Sheila R. Lawson, Vice President, Business Services
Christopher R. Lumley, Vice President, Information Services
Thomas C. Poe Jr., Vice President, Marketing
Richard M. Smith, Vice President, Lending
Nina Spencer, Vice President, Retail Delivery
Michelle D. Williams, Vice President, Human Resources
Natalie J. Woomer, Vice President and Controller

MECU of Baltimore
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Baltimore, Maryland 21202
www.mecu.com

If you would like a full copy of the financial statements for years 2017 and 2016, please send your request to:
Compliance Department, MECU of Baltimore, One South Street, Baltimore, MD 21202



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