



Serving Our



One Member at a Time.

2014 Annual Report

CHAIRMAN'S MESSAGE



MECU Members,

As Chairman of the Board, I want to let you know that **your** MECU works hard every day to provide outstanding service, competitive products and excellent benefits for **you**, our members. And, as a member, I want to ensure that **our** MECU continues to be recognized as a leader in the credit union movement around the world.

For nearly 80 years, we have kept our promise to provide high-quality financial services for our members and to help develop a strong and vibrant community in which we live. As a result, our membership continues to grow and our outreach in the community remains strong. We have been able to offer low interest rates on loans and reward our members with annual cash bonuses. We are always in search of new innovations, conveniences and services that will keep pace with changing banking needs and lifestyles.

Expanding our Footprint

This past year, the products and people of Advance Bank were fully integrated into MECU. This historic union of a bank with a state-chartered credit union offers our community a stronger local financial institution. MECU members can choose from a broader range of products including mortgages and business services. And, the dedicated Advance Bank employees have joined our team of financial professionals with a commitment to service and pride.

Providing easy access to affordable and convenient financial services is our priority at MECU.

The former Advance Bank branch in the Seton Business Park is open to serve members and the MECU Cranbrook Branch opened in early 2015.

Supporting Members through Innovation

We know that convenience and service are important to you. That is why MECU continues to provide you with the latest in financial services technology to give members greater ease and access.

When coming into the branch is not convenient, MECU's Online and Mobile Banking services are available 24 hours a day so you can get your balances, transfer funds, apply for a loan and pay bills. The Mobile Banking system lets you deposit checks 24/7 through your smartphone or tablet.

Building a Strong Community

As Baltimore's Credit Union, we are more than a financial institution; we are a member of the community. This past year, MECU demonstrated the strength of our commitment to the community. MECU employees are consistently among the highest contributors to the Combined Charities Campaign and each employee volunteers to support an organization of their choice and helps them fulfill their mission.

MECU is involved and engaged in the growth of a sound, stable community. Often we work in partnership with other groups and organizations on many activities and programs such as the Neighborhood Event Grants program, sponsored through the Baltimore Office of Promotion and the Arts. This past year, MECU awarded grants to over 70 communities throughout the city.

MECU, *Baltimore's Credit Union*, is proud to be your credit union.

Sincerely,



Herman Williams Jr.
Chairman of the Board



2014 MECU Book Drive

MECU — Baltimore's Credit Union

The MECU Story is about a very unique credit union.

The largest credit union in the city with over \$1.2 billion in assets, MECU has served the financial needs of area residents for almost 80 years. MECU is a part of your community. The credit union staff lives in surrounding neighborhoods and knows MECU's history and traditions — a tradition of hard work, fairness and community. From Pigtown to Park Heights, MECU has served Baltimoreans with valued financial services delivered with a smile.

MECU provides a full range of financial services to its members but with a local flavor. MECU has history, and for years has donated thousands of hours of employees' time so they can volunteer with organizations serving the Baltimore area. MECU is proud that its employees are part of the community and supports their efforts to give back.

The MECU Story is about improving the financial lives of its members with more services and convenience.

Last year, MECU completed the purchase of Advance Bank, which was headquartered in northwest Baltimore. This transaction gave thousands of former Advance customers the added benefits MECU provides its members — a larger range of products and services. At the same time, the acquisition of Advance brought to MECU additional products such as FHA mortgages and new business services. The combined institution is stronger, not just in the convenience of more branches, or in the number of employees, but in the hundreds of years of professional experience in the financial services industry brought by those who joined the MECU family from Advance.

Also in 2014, MECU improved its Online and Mobile Banking services. Members can transfer funds online from their account to any other person's

account. And with FinanceWorks™, MECU's online personal financial management system, they can easily track their finances and manage their budgets. Members can even deposit a check into their MECU account by using the Mobile Banking deposit feature. Making a deposit from home or anywhere with a smartphone or tablet — now that's convenient!

The MECU Story is about adapting to the changing needs of the area.

MECU closely watches for changes in banking trends to deliver products and services that fit emerging or changing needs. Here are some examples:

- A trend in borrowing is the demand for small, short-term loans. So last year, MECU continued offering the Jingle Loan program, letting over 7,100 members borrow up to \$1,500 for one year.
- To serve our members in northern Baltimore County, MECU opened a branch in the Cranbrook Shopping Center in early 2015.
- Another new service to be offered in 2015 is a VISA® Platinum Secured credit card which will help members build their credit.

The MECU Story is about giving back to members.

Giving back to the members is at the heart of what MECU does. Since 1981, MECU's Board of Directors has voted to return profit to members as a cash bonus, and in 2014 MECU returned \$3.5 million. MECU wants members to know their loyalty is appreciated. The more members take advantage of MECU's services, the more MECU is able to return to them.

The MECU Story is about giving back to the community.

MECU's culture of giving back to the community is demonstrated by the overwhelming commitment of its staff to get involved and stay involved with community organizations. They are regular volunteers at Our Daily Bread and helped build homes for Habitat for Humanity. They pack lunches for the Baltimore Rescue Mission, work at the Maryland Food Bank and set up in-school branches run by students.



Here are a few of our outreach projects from 2014:

MECU Charity Cup Golf Tournament Celebrated 10 Years!

For ten years, MECU's Board of Directors has organized the MECU Charity Cup Golf Tournament to raise funds that would extend MECU's ability to serve the community. Proceeds from the event have gone to programs that help students and neighborhood schools.

Each year, MECU has presented a check to the CollegeBound Foundation for ten scholarships which support students from Baltimore City High Schools. Over 10 years, MECU has awarded over \$350,000 to programs that give many young students opportunities they would not have ordinarily had.

Baltimore Neighborhood Event Grants

Baltimore is a community of neighborhoods, and strengthening those neighborhoods is behind the MECU Neighborhood Event Grants. In 2014, MECU helped 70 community groups and other non-profits finance their causes with small grants ranging from \$550 to \$1,000.





MECU's Annual Book Drive

2014 marked the 13th year of the MECU Book Drive. MECU employees collected over 6,000 children's books to share with the students at MECU's nine partner schools.

At the end of the school year the books are delivered and the students spend time picking out the perfect book to have as their own.



Money Power Day

Ten years ago, MECU helped organize the first Money Power Day. This free, annual event was established to help attendees learn more about managing their money. Over 1,000 people visit

workshops, clinics and exhibits to learn about getting out of debt, buying a home and starting a business. They can even pull their credit report and get help understanding it.

Because money habits start young, MECU coordinates the Youth Zone which features the Power Buck Game. Young people answer money questions asked by MECU employees. They earn "Power Bucks" for every right answer that can be spent on items at the Power Buck Store.

The MECU Story is about family.

MECU is more than a place to work. MECU employees share a common commitment of service to the membership and the community. This focus on service has bonded the staff and created a unique culture.

MECU volunteers step out for Cystic Fibrosis

This unique culture of committed support to the area is demonstrated by the hundreds of hours the MECU family volunteers each and every year. The MECU staff's participation in the annual Cystic Fibrosis Walk is just one example of the scope of this commitment. This year over twenty-five employees, as well as some weekend athletes from the MECU board, got involved. They obtained pledges from family, friends and other MECU staff members, then took a walk (a long walk) to help beat Cystic Fibrosis. The result — Money raised for a worthy cause, thanks to thirty pairs of very tired feet.

The MECU family helping out in our community. It's what MECU is all about.

The MECU Story...to be continued.



PRODUCTS AND SERVICES RIGHT FOR OUR MEMBERS

Through cooperative relationships with other credit unions and through the integration of technology, MECU has the convenience of a big bank while offering the credit union difference — better rates on deposits and loans, and the cash bonus we return to members.



Save Money

MECU's checking accounts save money. Members can choose from three different checking accounts that fit their individual needs.

- CashBack Checking
- Reward Checking
- Basic Checking with Interest



Special Mortgage Programs Reduce Interest Rates for Homebuyers*

- Buy in Baltimore — Save .25% interest on mortgages when buying homes in Baltimore City.
- First-time homebuyers reduce their interest rates by .25% after completing first-time homebuyer counseling.



Benefits of Credit Union Membership

MECU partners with other organizations to offer members a variety of discounts with major retailers and service providers.



Employee Benefits at No Cost to the Employer

MECU's Business Development Group partners with area organizations to offer MECU membership as an employee benefit. All interested employees are eligible to become members during meetings at the employer's location. MECU representatives also offer workshops in managing finances to help new members learn how to take advantage of the products and services available to them.

**Must have, or open, a MECU checking account with direct deposit and direct payment. Buy in Baltimore and First-Time Homebuyer rate discount is not available on FHA loans. Discounts cannot be combined. Other conditions may apply.*



Start Investing

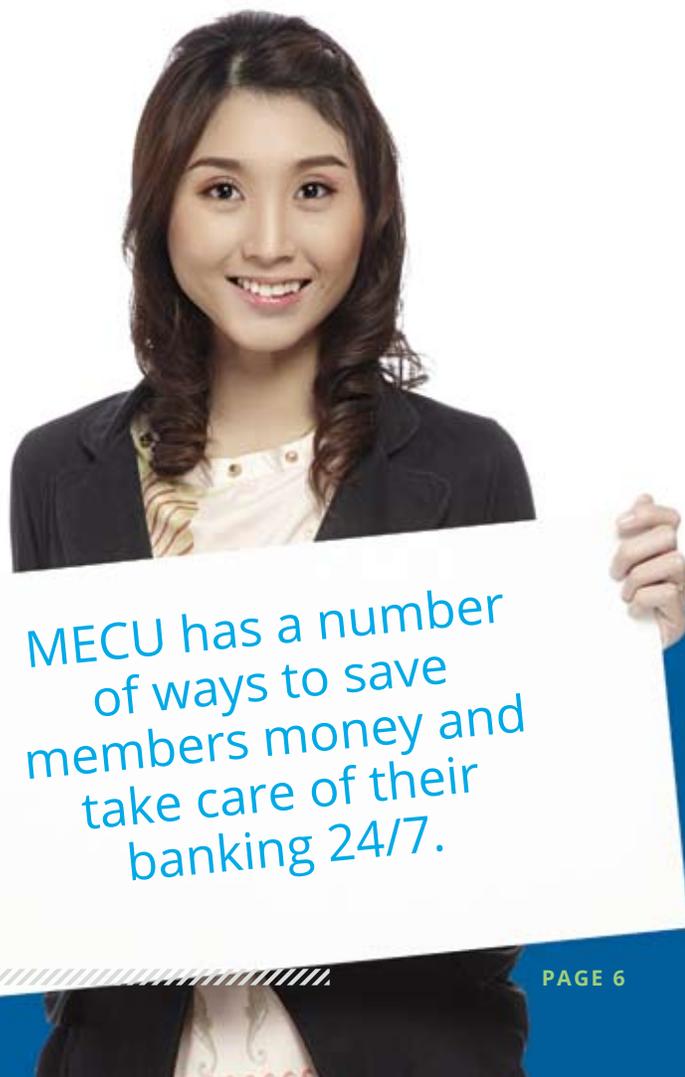
MECU Money Management** is a new program introduced in 2015 that lets members take their investing to a new level. Members can work one-on-one with a financial advisor from CUNA Brokerage Services, Inc. (CBSI). The advisor can provide expert assistance with retirement, insurance and investment needs.



Save Time

Online and Mobile Banking let members manage their MECU accounts no matter where they are. Members can deposit checks from a smartphone and tablet; track spending and manage a budget through FinanceWorks® and schedule bill payments with Online Bill Pay.

***Securities sold, advisory services offered through CUNA Brokerage Services, Inc. (CBSI), member FINRA/SIPC, a registered broker/dealer and investment advisor. CBSI is under contract with the financial institution to make securities available to members. Not NCUA/NCUSIF/FDIC insured, May Lose Value, No Financial Institution Guarantee. Not a deposit of any financial institution.*



BOARD OF DIRECTORS, OFFICERS AND COUNSEL



Seated, left to right: Harry Deitchman, *Director Emeritus*; Gary W. McLhinney, *Secretary/Retired, Police Department*; Herman Williams Jr., *Chairman/Retired, Chief, Fire Department*; Ernest J. Glinka, *Vice Chairman/Retired, Employees Retirement Systems*; Gary J. Martin, *Treasurer, President and CEO, MECU (retired)*; Benjamin I. Meli Jr., *Department of Public Works*; Deborah Moore-Carter, *Labor Commissioner, Baltimore City*

Standing, left to right: James R. Brown III, Esq., *Counsel*; Dr. Lorretta Johnson, *American Federation of Teachers-AFL-CIO*; Kalliope Parthemous, *Mayor's Office, Baltimore City*; Roman L. Clark Sr., *Fire Department*; Charmaine M. Thomas, *Police Department*; G. Louise Green, *Department of Finance*; John T. Walker III, *Baltimore City Public School System*; Peggy A. Peacock, *Housing & Community Development*

Not Pictured: John F. Brown, Esq., *Counsel*

LEADERSHIP TEAM



First Row Seated, left to right: Patricia A. Roberts, *Sr. Vice President, Member Services and Branch Operations*; Gary J. Martin, *President and CEO (retired)*; Kathy Day Shelton, *Sr. Vice President and COO*; Adrian S. Johnson, *Sr. Vice President and CFO*

Second Row Seated, left to right: Christina D. Vaughan, *Assistant Vice President, Compliance*; Denise Jones-Frasier, *Vice President, Operations*; Christopher R. Lumley, *Vice President, Information Services*

Standing, left to right: John M. Hamilton, *Vice President, Lending, Interim President & CEO*; Laurie S. Rush, *Vice President, Marketing*; Mary Gintling, *Assistant Vice President, Internal Audit*; Michelle D. Williams, *Vice President, Human Resources*; Sheila R. Lawson, *Vice President, Business Services*; Natalie J. Woomer, *Vice President, Accounting and Controller*

CREDIT COMMITTEE



Seated: Reba Anderson-Graham; Stephanie Lansey-Delgado; Marietta English; Neetu Dhawan-Gray; Patricia A. Roberts **Standing:** John M. Hamilton; Harry Peaker; Glenard S. Middleton Sr.

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, moratorium requests, reviewing denied loans and approving real estate appraisers.

The Credit Committee's primary function is to review member loan applications that do not meet standard underwriting guidelines, such as those for members with credit or debt ratio issues and loan-to-value exceptions. They also review loan requests from Credit Union Officials, Board and Committee members.

The Credit Committee uses a common sense approach to its review process and considers factors in addition to debt ratios and credit scores. It will personally interview members to best understand their situation and may refer them to the credit union's official credit counseling program for assistance.

Its primary focus is to keep the best interest of MECU and its members in mind. If the Committee approves the loan, the expectation is that it will be repaid. The final decision may be that the loan request will be denied if it is determined that the loan does not improve the member's financial situation or that default or bankruptcy is imminent.

The Credit Committee meets weekly.

Glenard S. Middleton Sr.
Chairman

SUPERVISORY COMMITTEE



Seated: Andrew Frank; Abraham M. Schwartz; J. Keith Scroggins; Troy Brogden; **Standing:** David B. Allen; Soula Lambropoulos; Mary Gintling; Jennell Rogers

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 of the Internal Audit Department. The Committee 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 CliftonLarsonAllen, LLP, an independent public accounting firm as the credit union's external auditor. CliftonLarsonAllen audited MECU's financial statements in accordance with generally accepted auditing standards, and, in their opinion, the financial statements fairly present, in all material respects, the financial position of MECU as of December 31, 2014.

Abraham M. Schwartz
Chairman

If you would like a full copy of the financial statements for years 2014 and 2013, please send your request to:

Audit Department
MECU of Baltimore Inc.
7 East Redwood St.
Baltimore, MD 21202

MECU OF BALTIMORE, INC.

STATEMENTS OF FINANCIAL CONDITION

December 31, 2014 and 2013

ASSETS	2014	2013
Cash and cash equivalents	\$ 64,137,838	\$ 21,556,119
Investments:		
Available-for-sale	333,657,989	350,638,316
Held-to-maturity	39,973,271	53,959,089
Other	3,091,555	4,649,137
Loans to members, net	684,767,308	725,505,915
Loans available-for-sale	384,896	—
Accrued interest receivable	7,814,587	7,303,902
Property and equipment, net	4,933,968	5,298,212
National Credit Union Share Insurance Fund deposit	10,019,823	10,270,757
Cash surrender value of life insurance	37,897,402	37,731,570
Other assets	28,301,416	11,320,584
TOTAL ASSETS	\$ 1,214,980,053	\$ 1,228,233,601
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' share and deposit accounts	\$ 1,035,420,191	\$ 1,040,671,603
Borrowed funds	38,161,983	53,529,141
Accrued expenses and other liabilities	12,399,256	14,800,885
Total liabilities	1,085,981,430	1,109,001,629
Members' Equity		
Retained earnings, substantially restricted	129,949,281	125,749,803
Accumulated other comprehensive income (loss)	(950,658)	(6,517,831)
Total members' equity	128,998,623	119,231,972
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 1,214,980,053	\$ 1,228,233,601

MECU OF BALTIMORE, INC.

STATEMENTS OF INCOME

For the Years Ended December 31, 2014 and 2013

	2014	2013
INTEREST INCOME		
Loans to members	\$ 44,269,745	\$ 42,988,455
Investments and cash equivalents	6,621,593	7,894,065
Total interest income	50,891,338	50,882,520
INTEREST EXPENSE		
Members' shares and deposit accounts	7,236,475	9,557,227
Bonus dividends and loan interest rebates	3,000,000	3,500,000
Borrowed funds	764,175	1,114,454
Total interest expense	11,000,650	14,171,681
Net interest income before provision for loan losses	39,890,688	36,710,839
PROVISION FOR LOAN LOSSES	8,248,063	8,525,807
Net interest income after provision for loan losses	31,642,625	28,185,032
NON-INTEREST INCOME		
Net gain on sale of available-for-sale investments	368,681	1,764,233
Service charges and other fees	9,756,363	9,623,570
Other non-interest income	8,367,559	6,572,540
Bargain purchase gain	—	3,463,460
Total non-interest income	18,492,603	21,423,803
NON-INTEREST EXPENSE		
Salaries and benefits	23,004,347	21,200,429
Operations expenses	8,839,800	7,826,819
Temporary corporate Credit Union stabilization fund assessment	—	787,568
Occupancy expenses	2,816,634	2,643,002
Educational and promotional expenses	2,240,215	2,198,800
Loan servicing expenses	2,710,104	2,276,650
Professional and outside services expenses	2,037,006	2,453,816
Other non-interest expenses	4,287,644	3,807,467
Total non-interest expense	45,935,750	43,194,551
NET INCOME	\$ 4,199,478	\$ 6,414,284

**Corporate Offices and
Elmer Bernhardt Headquarters Branch**

7 East Redwood Street
Baltimore, MD 21202

Charles L. Benton Jr. Westview Branch

5910 Baltimore National Pike
Catonsville, MD 21228

Commerce Center Branch

1777 Reisterstown Road
Pikesville, Maryland 21208

Cranbrook Branch — New! 2015

570 Cranbrook Road
Cockeysville, MD 21030

Dundalk Branch

7220 Holabird Avenue
Dundalk, MD 21222

Fayette Remote Teller System

401 East Fayette Street
Baltimore, MD 21202

Harry Deitchman PJM Center Branch

312 North Martin Luther King Jr. Boulevard
Baltimore, MD 21201

Herman Williams Jr. Seton Branch

4801 Seton Drive
Baltimore, MD 21215

John T. O'Mailey Hamilton Center Branch

2337 East Northern Parkway
Baltimore, MD 21214

Loch Ridge Center Branch

8507 Loch Raven Boulevard
Baltimore, MD 21286

Security Branch

6669 Security Boulevard, Suite 5
Baltimore, MD 21207

Mission Statement

To provide high quality financial services to our members and outstanding service to our communities through sound management and innovation.



MECU of Baltimore, Inc.

7 East Redwood Street
Baltimore, Maryland 21202

Thank you for your continued patronage and membership.
The MECU Story...to be continued.



Federally Insured by NCUA

