

Members First Credit Union Annual Report 2015

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DIRECTORS

Hector Garcia, Chairman (2018)
Yolanda Lozano, Vice-Chairman (2017)
Roman Almaguer, Secretary/Treasurer (2018)
Larry Dreyer (2016)
Mark Kulwicki (2018)
Manuel Esquivel III (2017)
Samuel Shores (2016)

MANAGEMENT

Greg Fair, Chief Executive Officer
Wanda Muessel, Chief Operations Officer
Belinda Reeves, Member Service Manager
Sherry Hernandez, Financial Service Manager
Eric Flores, Consumer Loan Manager
Debra Garza, Mortgage Loan Manager
Brenda Collins, Harlingen Branch Manager
Paul Besse, Accounting Manager
Blake Kemmis, IT Manager
Chris Vega, Collections Manager
Rachael Storr, Marketing Director
Adriana Crisp, Human Resources Manager

AGENDA

Welcome – Hector Garcia, Chairman

Invocation

Determination of a Quorum

Introduction of Officers and Guests

Minutes of the Previous Meeting

Reports:

Treasurer – Roman Almaguer

Chairman – Hector Garcia

CEO - Greg Fair

Unfinished Business

New Business

Election of Directors

Adjournment

MINUTES
76th ANNUAL MEMBERSHIP MEETING
March 7, 2015

The 76th Annual Membership Meeting of Members First Credit Union was held on Saturday, March 7, 2015 at the main office located at 5444 S. Staples, Corpus Christi, Texas.

The meeting began at 3:00 p.m. when Chairman of the Board Hector Garcia welcomed members and guests.

The invocation was given by Blake Kemmis.

The Chairman verified that 143 members had registered. He certified that a quorum was present and declared it a legal meeting.

The Chairman introduced the Board of Directors: Hector Garcia (Chairman), Yolanda Lozano (Vice Chairman), Roman Almaguer (Secretary/Treasurer), Larry Dreyer, Mark Kulwicki, Manuel Esquivel III, and Samuel Shores.

Secretary/Treasurer Roman Almaguer noted a copy of the minutes of the 75th Annual Meeting was provided in the 2014 report and asked for a motion to dispense with the reading and accept them as written.

MOTION by Erasmo De La Rosa, second by John Jordan to accept the minutes as written. MOTION CARRIED.

REPORT OF TREASURER

Roman Almaguer reported the credit union took another step forward in providing a safe and dependable alternative to save, borrow, and assist with members' financial needs. Our capital position increased to 18.36% compared to our peer average of 10.47%. Net income for the year was \$1,657,497, the highest we have experienced in 5 years. The improvement in net income was mainly due to lower operating expenses where the net operating expense ratio was 1.33%, one of the lowest levels we have ever reached and well below the peer average of 2.19%.

Deposits grew 4.6% while the loan portfolio increased 1.4%. Loan quality was improved as shown by the lowest loan loss ratio in over 5

years. Membership stayed steady but active members grew shown by increases of 5% in checking accounts, 11% in check cards, 10% in money market accounts, and 9% in credit cards.

Mr. Almaguer concluded that Members First has shown we are ready for wherever the economy takes us as reflected by making the list of the top 200 healthiest credit unions in America. Members First was actually # 44 out of 6,600 credit unions.

MOTION by John Jordan, second by Annette Hansen to approve the Treasurer's Report as written. MOTION CARRIED.

REPORT OF CHAIRMAN OF THE BOARD

Hector Garcia stated the credit union's constant goal is to offer more than competitive rates, reasonable fees, convenient and advantageous products, and most important of all, quality service. Whether you need funds for purchasing or refinancing a home, we offer low or no closing costs, low rates, and in finding the best option. If buying a vehicle, we can provide information on the purchase, cost saving alternatives, low rates, and convenient payment methods.

Mr. Garcia explained that we offer easy access to your funds, a variety of savings options, and convenient services like check cards, credit cards, overdraft protection, online banking, and now making deposits on your cell phone. When you participate with our products you also make us stronger. Credit unions are different than banks and we all benefit when it succeeds. The credit union can help navigate your life-cycle challenges and be there during uncertain economic times. He noted his confidence in the board and the commitment of staff and management to face any challenge and seize any opportunity in 2015 and beyond.

REPORT OF THE CEO

Greg Fair provided recent trends showing how difficult it is for smaller credit unions to survive while larger credit unions continue to grow. He reviewed what was needed to ensure our survival and stay relevant to members. He explained the credit union must adapt but not try to be all things to all people. We should stay focused on how we can best help our members and fill needs that others cannot or will not provide. We must continue to use technology to be more efficient and improve

convenience to members. Most importantly, we need to remain financially sound with strong profitability and capital so we can offer competitive rates, continue to improve our services, and handle the costs of new technology.

Mr. Fair reviewed new products added this past year including a surcharge free ATM network, loyalty discounts on vehicle loans, a new website, and enhanced mobile banking. He reiterated the credit union had profitability of 3 times our peers and were ranked in the top 1% of the healthiest credit unions in America. These facts signify our commitment and success in improving the financial well-being of members while being a secure place to do business. He thanked the board for volunteering their service this past year and recognized the staff for making the credit union a better financial alternative.

UNFINISHED BUSINESS

None

NEW BUSINESS

None

NOMINATING COMMITTEE

The Chairman appointed Larry Dreyer, Yolanda Lozano, and Manuel Esquivel III to the nominating committee in September of 2014. The committee was charged with nominating one or more candidates for the three 3 year terms expiring in 2015. (According to Credit Union guidelines, each member must be willing to serve, have an appropriate credit history, donate time and effort for the Credit Union's future, and be a member in good standing.)

The Nominating committee reported that they received three applicants for three open positions on the Board. The nominees were as follows:

Hector Garcia
Roman Almaguer
Mark Kulwicki

MOTION by John Jordan, second by Carmelita Moreno to have the nominees elected by acclamation. MOTION CARRIED.

Door Prizes were awarded.

MOTION by John Jordan, second by Erasmo De La Rosa to adjourn the meeting. MOTION CARRIED.

The meeting was adjourned at 3:31 p.m.

TREASURER'S REPORT

Members First Credit Union was very successful in meeting our financial objectives in 2015. One objective is to maintain a strong capital position. Strong capital is a major indicator of the financial strength of a financial institution and helps prepare for a major downturn in the economy or similar potentially negative event. Our capital asset ratio ended the year at 18.92% which places us in the top 3% of credit unions.

The credit union advanced \$23,442,005 in loans during the year. This was the 2nd highest total to date and helped the loan portfolio to increase by 7.8%. Loans outstanding ended the year at \$57,402,763. Growing our loan portfolio is always one of our main goals since it determines what deposit rates we can offer and is our main source of income. It also reflects how well we have been able to assist the financial needs of our members.

Total assets increased slightly over 4% to end the year at \$118,030,499. Asset growth comes mainly from member deposit growth. Member deposits grew to \$95,329,124, an increase of 0.8%. Although we would normally like to see deposits increase further, any increase is limited to how well we are able to loan these funds back out or safely reinvest them at a higher return. With investment options limited, we were able to meet our goals until loan demand can catch up to deposits on hand.

Net income for the year was \$1,525,447. Such a positive result was accomplished by growing loans, increasing account services, and keeping net operating expenses much lower than peer. Our capital contribution, which is based on net income, was 1.33%. This is very positive considering our peer ratio is only 0.5%. Loan losses for the year increased to nearly \$250k compared to \$186k in the prior year but is still considered average for a credit union our size. On the flip side, our loan delinquency ratio ended the year at 0.48%, which is down from 0.77% at the end of last year and is considerably lower than our peer ratio of 0.88%.

Membership grew during the year to 11,725 members. Account growth was exceptional with share draft accounts increasing by 6.0%, money market accounts by 4.6%, check cards by 10.5%, and credit cards by 19.5%. Seeing higher than average account growth was very promising and reflects well on our goal to bring more and better services to our members. We are thankful for entrusting us with your financial needs, are pleased to report another positive year, and promise to continue to improve in the future.

Respectfully submitted,



Roman Almaguer Jr.,
Secretary/Treasurer

**MEMBERS FIRST CREDIT UNION
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2015 AND 2014**

ASSETS

	2015	2014
Cash and cash equivalents	\$ 15,978,379	\$ 12,138,479
Investments	37,033,803	40,132,252
Loans to members, net	57,171,718	53,053,136
Accrued interest receivable	397,802	364,564
Property and equipment	5,131,983	5,271,755
National Credit Union Share Insurance Fund deposit	873,602	873,062
Other assets	1,443,212	1,513,425
Total assets	\$ 118,030,499	\$ 113,346,673

LIABILITIES AND MEMBERS' EQUITY

Liabilities

Members' shares	\$ 95,329,124	\$ 92,342,780
Accrued expenses and other liabilities	1,308,445	1,144,389
Total liabilities	96,637,569	93,487,169

Members' equity

Retained earnings, substantially restricted	22,334,822	20,809,375
Accumulated other comprehensive income (loss)	(941,892)	(949,871)
Total members' equity	21,392,930	19,859,504
Total liabilities and members' equity	\$ 118,030,499	\$ 113,346,673

**MEMBERS FIRST CREDIT UNION
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
INTEREST INCOME		
Interest on loans to members	\$ 3,243,279	\$ 3,194,000
Interest on investments and cash equivalents	740,385	654,304
TOTAL INTEREST INCOME	3,983,664	3,848,304
INTEREST EXPENSE		
Dividends on members' shares	464,200	464,904
NET INTEREST INCOME	3,519,464	3,383,400
PROVISION FOR LOAN LOSSES	301,593	222,117
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,217,871	3,161,283
NON-INTEREST INCOME		
Fees and Charges	1,393,214	1,488,075
Other non-interest income	990,689	829,908
TOTAL NON-INTEREST INCOME	2,383,903	2,317,983
INCOME BEFORE GENERAL AND ADMINISTRATIVE EXPENSES	5,601,774	5,479,266
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and benefits	2,023,678	1,853,485
Operations	1,585,462	1,514,892
Occupancy	460,903	430,416
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	4,070,043	3,798,793
NET NON-OPERATING GAINS (LOSSES)	(6,284)	(22,976)
NET INCOME	<u>\$ 1,525,447</u>	<u>\$ 1,657,497</u>

**MEMBERS FIRST CREDIT UNION
STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	Retained Earnings			Accumulated Other Comprehensive Income (Loss)
	Regular Reserve	Unappropriated	Total	
Balance, December 31, 2013	\$ 1,514,142	\$ 17,637,736	\$ 19,151,878	\$ (591,846)
Net income		1,657,497	1,657,497	
Net change in defined benefit Obligations				(358,025)
Balance, December 31, 2014	\$ 1,514,142	\$ 19,295,233	\$ 20,809,375	\$ (949,871)
Net income		1,525,447	1,525,447	
Net change in defined benefit obligations				7,979
Balance, December 31, 2015	<u>\$ 1,514,142</u>	<u>\$ 20,820,680</u>	<u>\$ 22,334,822</u>	<u>\$ (941,892)</u>

ELECTION RULES

(as printed in the October 2015 newsletter)

Members interested in running for a position on the Board of Directors must submit a resume for background information and a completed "Director Application and Agreement to Serve" form. A credit history of the applicant and current standing with the credit union will also be reviewed as part of the approval process. All interested parties that receive approval by the Nominating Committee based on these criteria will be included as candidates for upcoming vacancies on the Board of Directors.

Any applicant that the Nominating Committee does not approve will be referred for review by the Board of Directors. These members may be selected if approved by the Board. Any applicant not selected will receive a written explanation describing the reason for disapproval. This information will also be communicated to the Credit Union Department. Interested parties must submit their application no later than December 15, 2015. No nominations will be accepted after this deadline and no nominations may be placed from the floor at the Annual Meeting.

These rules were changed so that all candidates or potential Directors would be in good standing with the Credit Union, would be insurable for bonding purposes, and would receive approval from the Credit Union Department.