

Everything  
we do  
is focused  
on you.

2018 ANNUAL REPORT



Sharing this annual report with you is a way for us to highlight our performance results. While these results are important because they enable our efforts, we are much more focused on people than the numbers. Our true measure of success is in the positive impact we have on our members, staff and the community. Putting people before profit is a big part of what makes us different and better.



### OUR MISSION

We believe in people-helping-people by providing sound financial solutions and resources, as well as sharing our passion for supporting the community.

## WE'RE INVESTED IN YOUR TOTAL FINANCIAL WELL-BEING



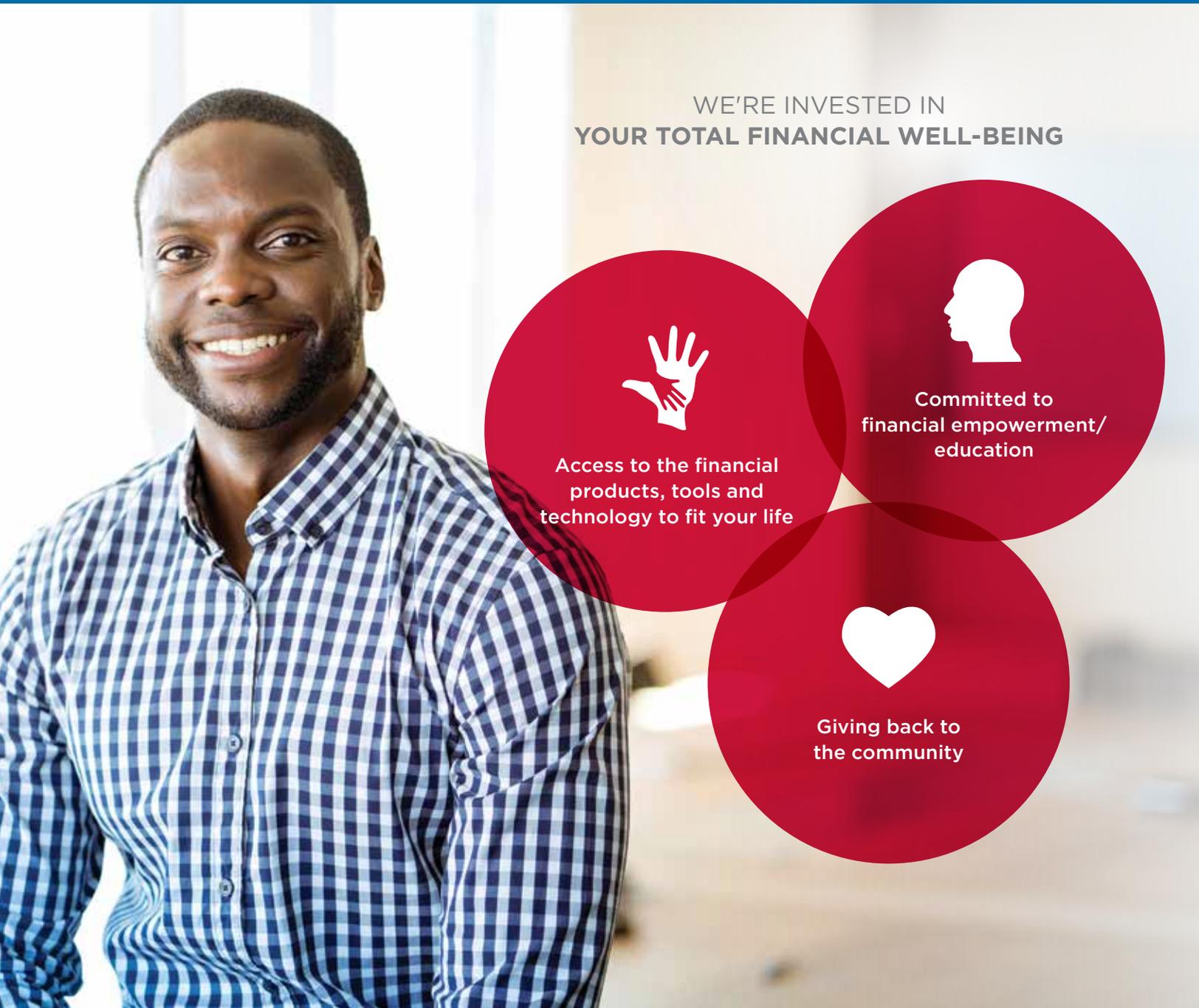
Access to the financial products, tools and technology to fit your life



Committed to financial empowerment/education



Giving back to the community



# Message from the President & CEO: Randy Theilig

Members Choice Credit Union Members,

In general, change is a good thing. Without it, I'd still have my '70s-style clothing and a rotary phone like I did back when I first joined this credit union almost 40 years ago. Back then, I was a young professional with life-changing milestones ahead of me, including getting married, becoming a parent, getting my first auto loan and mortgage, and securing a strong financial footing overall. My story is like many of our members when they start their life's journey, with an unwritten future but lots of optimism for what could be. I just needed some help building and managing my finances so I could reach my goals, and I trusted my credit union to provide that help.

Remembering how important the credit union was, and still is, drives how I help others today. I'm grateful that I have the opportunity to pay it forward in my role here. Every day, we help our members alleviate financial stresses while building stability and wealth, so they can live their lives to the fullest. And change is a part of that, too. We're always looking at what's new and what we can do better to make your financial life easier, safer and more successful.

## **CHANGES FOR THE BETTER IN 2018**

This report will go into greater detail on the positive changes and other happenings at Members Choice Credit Union, but I wanted to touch on just a few highlights here:

- **Improvements to online and mobile banking** - now offering the same digital experience across all devices and more user-friendly features for your ultimate convenience.
- **Formation of Business Services Group** - servicing our 1900+ business accounts by offering not only cash management services, but also business loans, to help business owners grow.

- **Upgraded credit card offerings** - a more robust rewards program, in addition to attractive rates, to fit any lifestyle.

## **SOME THINGS DON'T CHANGE...**

Continuing to be an active community partner every year is something our entire credit union wholeheartedly supports, from the executive leadership team to every person on our staff. I want to thank our team for putting well over 1,000 volunteer hours into supporting local causes and nonprofits throughout Katy and West Houston, who directly serve our area's needs. We were especially honored to be the presenting sponsor for Giving Tuesday Katy with the participating nonprofits raising over \$100,000 collectively.

In looking back over the years since I first joined Members Choice, a lot has changed in our credit union, our community and our world, and there will surely be more changes to come for all of us. But like our community efforts, our commitment to you and to serving your best interests will always be something you can count on. You're the reason we're here! As member-owners of our credit union, you are our partners, and for us, that's family. We promise to have your back and stay true to the core values that put you first.

Thank you for your support and trust in Members Choice Credit Union.

Sincerely,

**Randy Theilig**  
President & CEO

**View a short video  
message from  
the President online.**

*[info.mccu.com/ceovideo](http://info.mccu.com/ceovideo)*

# Message from the Chairman of the Board:

## Johnny Williams

Members Choice Credit Union Members,

When people hear that I'm part of Members Choice, they often share their feedback with me. Specifically this past year, there were a number of occasions when I heard positive feedback about how our team quickly handles things. People expressed appreciation that any challenge, big or small, gets a prompt response and the proper attention.

As chairman of the Board of Directors, I love hearing this kind of feedback because it affirms we're on the member-focused path we always strive to follow. But the same is true of any feedback we receive from the members we're here to serve. The conversations we have – whether you're coming to us about something you believe to be an issue, a question or clarification, or a request for help – are part of being a financial family. Working together to help each other is what the credit union movement is all about.

Our leadership team takes very seriously our role in looking out for you and keeping our credit union steadily moving forward. It's a true team, one that is always thinking strategically, having open conversations and looking ahead. What can we put in place to overcome our challenges? How can we take our credit union from an already solid footing to its even greater potential? What can we do that will most benefit our members now and in the future?

One key component to our strategy in action was opening the new Katy Freeway building last year. This new space consolidated our administrative and corporate operations, training, and a full-service call center and branch into one headquarters, complete with the latest technology for your convenience. The beautiful, brightly lit design is not only more welcoming for our members, but also healthier and more productive for our staff.

Being associated with Members Choice is something that we, as board members, are proud of, and we're all equally invested contributors who are passionate about what we do. Together with the leadership team, we're working hard to do what's right and continue to earn your trust. You're in strong hands, at a strong organization. Each year, we consistently increase the worth of our credit union, in spite of market challenges and significant competition. We know you have choices when it comes to your finances, and we are thankful you have chosen us.

Don't hesitate to come talk to us! We're here to listen, and we are honored to serve in your best interests.

Sincerely,

**Johnny Williams**

Chairman of the Board of Directors



People expressed appreciation that any challenge, big or small, gets a prompt response and the proper attention.



Working together to help each other is what the credit union movement is all about.



# Performance Highlights

## TOTAL ASSETS (\$ THOUSANDS)

2018	\$590,986
2017	\$584,869
2016	\$520,190
2015	\$494,900
2014	\$477,812

## TOTAL DEPOSITS (\$ THOUSANDS)

2018	\$501,731
2017	\$494,848
2016	\$467,724
2015	\$448,012
2014	\$431,586

## EQUITY CAPITAL/NET WORTH

2018	9.17%
2017	9.04%
2016	9.14%
2015	8.80%
2014	8.26%

## Message from the Treasurer: Wilfred Krenek

**Without continual growth and progress, such words as improvement, achievement, and success have no meaning.**

- Benjamin Franklin

2018 was a year of continual growth and progress for Members Choice Credit Union. Growth manifested in several ways, including increases in total assets and deposits throughout the year. Net income of more than \$3 million earned during the year resulted in an increase in the net worth ratio, up 13bps to 9.17%. Progress made through investments in new technology offerings, such as the implementation of the new digital banking platform and evolving payment systems such as Apple Pay® and Samsung® Pay, serve to confirm MCCU's commitment to product offering improvements. As market rates increased in 2018, MCCU's dividend rates kept pace. Share dividend rates increased from 0.15% in 2017 up to 0.35% by year-end 2018.

Through these changes, Members Choice Credit Union remains financially strong and "well capitalized" as defined by our regulators. The enclosed financial statements provide further details on our financial performance. We remain committed to meeting the needs of our membership and to continual growth and progress as we strive to be the best financial partner we can be.

## Supervisory Committee Message: Tonya Jordan, Supervisory Committee Chair

The annual audit of the books and records of Members Choice Credit Union, for the period ending December 31, 2018, was conducted by BKD, LLP. The audit was made in accordance with generally accepted auditing standards. They examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements. In their opinion, the financial statements of the credit union present fairly in all material respects, the financial position of Members Choice Credit Union as of December 31, 2018.

# Balance Sheets

YEARS ENDED DECEMBER 31,  
(in thousands)

	2018	2017
<b>ASSETS</b>		
Cash and due from banks	\$ 3,713	\$ 3,840
Interest-bearing demand deposits	29,003	29,189
Federal funds sold	50	26,200
<b>Cash and cash equivalents</b>	<b>32,766</b>	<b>59,230</b>
Interest-bearing time deposits in banks	5,995	6,493
Investment securities	56,295	58,091
Loans held for sale	7,318	-
Loans, net of allowance for loan losses	441,633	414,910
Premises and equipment, net	33,953	30,585
Federal Home Loan Bank Stock	1,772	6,022
Accrued interest receivable	1,844	1,530
NCUSIF deposit	4,777	4,636
Other assets	4,633	3,373
<b>Total Assets</b>	<b>\$ 590,987</b>	<b>\$ 584,870</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Liabilities:		
Members' shares	\$ 501,731	\$ 494,848
Notes payable	28,000	30,000
Other liabilities	7,054	8,539
<b>Total Liabilities</b>	<b>536,785</b>	<b>533,387</b>
Members' Equity:		
Regular reserve	4,964	4,964
Undivided earnings	50,873	47,807
Accumulated other comprehensive income	(1,635)	(1,288)
<b>Total Members' Equity</b>	<b>54,202</b>	<b>51,483</b>
<b>Total Liabilities and Members' Equity</b>	<b>\$ 590,987</b>	<b>\$ 584,870</b>

# Statements Of Members' Equity

YEAR ENDED DECEMBER 31, 2018  
(in thousands)

	Statutory Reserve	Undivided Earnings	Valuation Allowance Investment Securities	Total Equity
<b>Balance, December 31, 2017</b>	\$ 4,964	\$ 47,807	\$ (1,288)	\$ 51,483
Net Income		3,065		3,065
Provision for change in valuation allowance for available for sale securities, net			(347)	(347)
<b>Balance, December 31, 2018</b>	<b>\$ 4,964</b>	<b>\$ 50,873</b>	<b>\$ (1,635)</b>	<b>\$ 54,202</b>

# Statements of Income

YEARS ENDED DECEMBER 31,  
(in thousands)

	2018	2017
<b>INTEREST INCOME</b>		
Loans	\$ 19,348	\$ 17,968
Investment securities	3,847	3,113
<b>Total Interest Income</b>	<b>23,195</b>	<b>21,081</b>
<b>INTEREST EXPENSE</b>		
Interest expense on members' shares	2,460	1,205
Interest on borrowed funds	2,447	1,245
<b>Total Interest Expense</b>	<b>4,908</b>	<b>2,450</b>
<b>Net Interest Income</b>	<b>18,287</b>	<b>18,632</b>
<b>Provision for loan losses</b>	<b>359</b>	<b>1,629</b>
<b>Net interest income after provision for loan losses</b>	<b>17,928</b>	<b>17,003</b>
<b>NON-INTEREST INCOME</b>		
Fees and service charges	2,974	2,992
Insurance commissions	531	563
Interchange income	2,201	2,046
Net gains on sales of fixed assets	(2)	1,431
Net gains on sales of mortgage loans, net	102	0
Net gains on sales of small business administration loans	372	564
Net realized gains on sales of investment securities	(66)	(619)
Other	553	43
<b>Total non-interest income</b>	<b>6,666</b>	<b>7,020</b>
<b>NON-INTEREST EXPENSE</b>		
Compensation and benefits	10,168	8,547
Occupancy	2,161	2,059
Operations	2,873	2,346
Advertising and promotion	524	517
Loan servicing	1,077	1,012
Professional and outside services	3,867	3,675
Other	859	691
<b>Total non-interest expense</b>	<b>21,529</b>	<b>18,847</b>
<b>Net Income</b>	<b>\$ 3,065</b>	<b>\$ 5,175</b>

# 2018 Brought More Solutions for You

## » A Digital Banking Experience for Your Lifestyle

### New, Improved Online and Mobile Banking

Enjoy a consistent digital experience across all of your devices. New user-friendly features include:



Dashboard overview of all accounts



Budgeting tools and spending trackers



Savings tools based on personal goals



The ability to link external accounts



Fingerprint/Touch ID® authentication



Debit card controls  
(e.g., freeze your debit card for security)



Easy mortgage management

*And more!*

**71% of  
Members Choice  
members have  
our mobile app.\***

Download yours  
today at your  
device's app store.

\*As of March 19, 2019. This percentage is equivalent to about 30,000 users. Mobile app is available for Android™ and iOS.

Did you know  
you can now get  
your debit card  
faster – in just  
one or two days?



### Digital Wallet – An Easier Way to Pay

Load your Members Choice Credit Union debit and credit cards into the digital wallet on your phone and use Apple Pay® for fast, secure shopping. Apple Pay transactions are authorized with Touch ID thumbprint security or your passcode, and transactions never use your card number.



## » A Full Suite of Products for Every Business

We help you take care of business with a full suite of products that include checking account options based on your needs: Business Solution Checking, Business Support Checking, Business Resource Checking and Business Money Market.

Become a Partner Company to share Members Choice membership benefits with your employees and enjoy added checking perks and other advantages.

**As an SBA-preferred lender,** we now offer multiple business lending options - from secured to unsecured loans, SBA loans and lines of credit. You'll always get personalized service, often with more favorable terms than you can get with a bank.



## » Financial Education and Wellness

### **Financial Counseling - GreenPath**

Get easy access to help with personal and family budgeting, money management, debt repayment and improving your credit score and other guidance to keep you on the right financial path.

### **Credit Score Info - SavvyMoney**

Receive free, ongoing access to your credit report, monitor your credit for changes and find savings opportunities on new and existing loans based on your credit score. It all happens right from your Members Choice Online Banking.

### **Online Financial Education for Youth - Banzai!**

Members Choice has partnered with Banzai to provide an online tool that can be used in local classrooms for experience-based financial learning in a fun way.

## » Financially Healthy Student Loans - StudentChoice

Members Choice not only helps fund higher education, but also saves students thousands of dollars over other lenders with our low rates. The convenient line of credit comes with zero origination or repayment fees, and an easy online application.



# Members Choice Credit Union Branches

- 1 Katy Freeway - Main Office**  
18211 Katy Freeway  
Houston, TX 77094
- 2 Grand Parkway Office**  
521 W. Grand Parkway South  
Katy, TX 77494
- 3 North Fry Road Office**  
3770 N. Fry Road  
Katy, TX 77449
- 4 Seven Meadows Office**  
8951 S. Fry Road  
Katy, TX 77494
- 5 Green Trails Office**  
1657 S. Fry Road  
Katy, TX 77450
- 6 Eldridge Office**  
1503 Eldridge Parkway  
Houston, TX 77077
- 7 Cy-Fair Office**  
15701 Kingfield Drive  
Houston, TX 77084

**ConocoPhillips Office**  
WC.02.204  
*For ConocoPhillips  
employees only.*

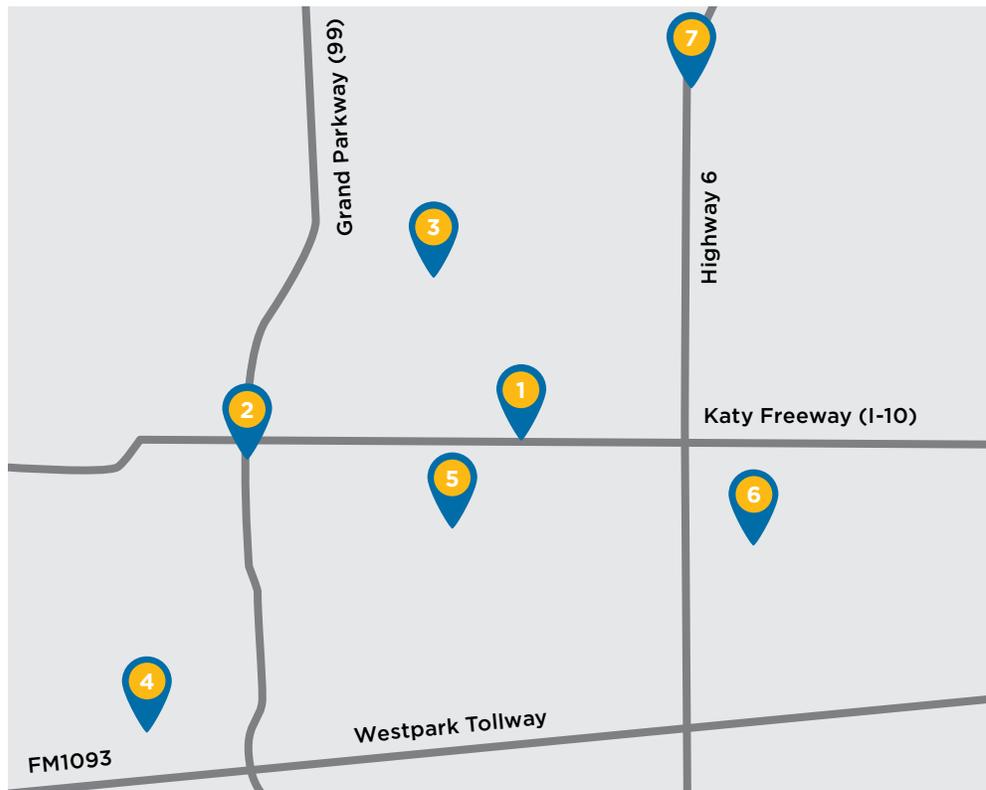
**Phillips 66 Office**  
S142  
*For Phillips 66  
employees only.*





With more parking and a welcoming environment, our updated location on the Grand Parkway will be equipped to serve this growing area.

## Branch Locations



# 2018 We Give Where We Live

**1,312.5**

Total volunteer hours

**\$12,017.35**

Donated by the Members Choice Foundation

Giving Tuesday Katy  
Hope Impacts Golf Tournament  
Christ Clinic Breakfast for a Blessing  
Houston Food Bank

**\$29,953.18**

Given back to the community

Giving Tuesday Katy  
Books and a Buddy  
Katy Color Run  
Operation Back 2 School

## Our 2018 Community Partners

The Arc of Katy · The Ballard House · Christ Clinic · Clothed by Faith · Compassion Katy  
Fostering Success Foundation · Friends of Sundown · Hope Impacts · Houston Food Bank  
Joe Joe Bear Foundation · Katy Cares · Katy Christian Ministries · Katy ISD Education Foundation  
Krause Children's Residential · Neighborhood KidZ Club · Smartie Pants Academy Center  
Texas Children's Hospital · YMCA



MCCU was the presenting sponsor - event location, printing, shirts

**Over \$100K**

Raised by nonprofits

**Over \$6,500**

Total contributed by MCCU

**60**

MCCU participants

**Katy Color Run | \$5K donation | 25 MCCU participants**

## Continued Hurricane Harvey Relief Efforts

Donations to **Smartie Pants Academy Center**, a daycare for children with disabilities that re-opened in 2018 after their previous location was flooded:

Computer/  
iPads®

Cribs

Toys

Tables

# Stronger Together

## 2018 Events and Volunteer Opportunities

We're people helping people – not only by providing loans and other services that grow our local economy, but also by actively participating in causes and events in the area. Through volunteer opportunities offered by Members Choice, our dedicated team increased volunteer hours by 551 hours from 2017-2018, surpassing an already ambitious goal. Thank you to everyone involved!



## Executive Leadership Team



President & CEO  
Randy Theilig



SVP, Chief Retail Officer  
Bridgette Mayon



SVP, Chief Lending Officer  
Diane Parham



SVP, Chief Financial Officer  
Holla Walker

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## Senior Leadership Team

VP of Commercial Lending

VP of Mortgage Lending

VP of Risk Management

VP of Business & Consumer Lending

VP of Strategic Initiatives & Programs

VP of Human Resources

VP of Member Services

VP of Marketing & Business Development

Rene Aviles

Ken Canon

Christina Evans

Doug Hodges

Joye Jackson

Kelli Johnson

Jessica Segura

Robin Tooms

## Board of Directors

		<b>Term Expires</b>
Chairman	Johnny Williams	2021
Vice Chairman	Dr. Paul Withey	2021
Secretary	Gene Atteberry	2019
Treasurer	Wilfred Krenek	2019
Director	Ron Julun	2020
Director	Tonya Jordan	2019
Director	Preston Meeks	2020
Director	Cameron Anderson	2020
Director	Ed Conner Jr.	2019
Advisory Director	Anthony Francis	
Advisory Director	Jeff Smith	



18211 Katy Freeway  
Houston, TX 77094

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281.398.9900

NMLS #502619

