

CONNECTIONS

2022 Annual Report





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Standards and Statements

1

I will provide a warm and sincere greeting.

2

I will take ownership and make the member my priority.

3

I will anticipate and fulfill the member's needs.

4

I will deliver personal and quality service.

5

I will protect the privacy and security of our members.

6

It is my goal to create memorable and personal experiences.

7

I take pride in my professional appearance, language, behavior, and workplace.

8

I will create an environment of trust, honesty, respect, integrity and commitment.

9

I will end the visit in a personal and courteous manner.

10

I hold myself accountable for organizational service commitments.



Mission Statement

MemberSource Credit Union will consistently meet members' needs by providing personal, quality service in a professional environment through motivated employees.

Vision Statement

To be a leading credit union for the greater Houston metropolitan area.

Connections



2022 Annual Meeting

Minutes

A meeting of the general membership of MemberSource Credit Union was held by video conference on Thursday, May 26, 2022. Chairman Smith called the meeting to order at 5:02 p.m.

The following Directors and members of management were in attendance:

- **Jeremy Smith, Chairman**
- **Patrick Gibson, Vice Chairman**
- **Joe Hildenbrand, Treasurer**
- **Cheri Peper, Secretary**
- **Gay Baskin, Director**
- **David Berry, Director**
- **Eddie Corvin, Director**
- **Art Richardson, Director**
- **Ellen Tarver, Director**
- **Kenny Harrington, President/CEO**
- **Leon Davis, CFO**
- **Kelly Brink, Chief Lending Officer**
- **Samuel Phelps, Vice President, Information Technology**
- **Diana Fisher, Vice President, Marketing**
- **Dana Forrest, Administrative Assistant**

Mr. Davis thanked everyone for attending, and explained how to mute/unmute your microphone, cast a vote and how to ask questions utilizing the chat function. Chairman Smith called on Director Peper to ascertain that a quorum of at least 25 members were attending by video conference. Director Peper confirmed that there was a quorum.

Chairman Smith called for a reading of the minutes from the previous Annual Meeting on May 27, 2021. Director Baskin made a motion to dispense with a reading of the minutes. Director Gibson seconded the motion; motion carried. Director Gibson made a motion to approve the minutes of the 2021 Annual meeting as written. Diana Fisher seconded the motion; motion carried.

Chairman Smith presented the Chairman's report, and Mr. Hildenbrand presented the Treasurer's report.

Chairman Smith asked if there was any unfinished business from the 2021 Annual Meeting. There was none. He then asked if there was any new business. There was none.

Director Peper presented the report from the Nominating Committee. Eddie Corvin, Cheri Peper and Ellen Tarver met to review the potential Nominees. The Committee was deliberate and conscientious at its meeting and is unanimous in its nominations. Since there were no petitions from the notice that was distributed to the members in the December 2021 statement, the Nominating Committee submitted the following members to be elected to the MemberSource Board of Directors.

- **Patrick Gibson**
- **Joe Hildenbrand**
- **Art Richardson**

Chairman Smith called for a motion to nominate the slate of Nominees. Diana Fisher made a motion to place the names as presented by the Nominating Committee into nomination. Director Baskin seconded the motion; motion carried. Chairman Smith called for a motion to elect by acclamation the Nominees as presented by the Nominating Committee. Director Tarver made a motion that the Nominees be elected by acclamation. Director Baskin seconded the motion; motion carried.

There being no further business, Director Richardson made a motion that the meeting be adjourned. Director Berry seconded the motion; motion carried. The meeting adjourned at 5:18 p.m. Chairman Smith thanked everyone for attending.

Jeremy Smith, Chairman

Cheri Peper, Secretary

Connections

Report from the Chair and President

Connections

CONNECTIONS

A connection can be an alliance or bond between people - like family. It can be an act of engaging with something or someone - as in your friends. It can be participating in a team or collaborating with others with which you have something in common - like business endeavors or even a sports team. It can also include being a member of an organization with people who have the same interests as you - like a special club. All of these statements could describe your membership at MemberSource Credit Union, where we also have a financial connection. One that we consider extremely valuable.

PARTICIPATION

Despite being in a rising-rate environment, our members continued to view MemberSource CU as a trusted resource for their financial needs by choosing us to be their lender. Net loans totalled \$166,122,303, an increase of 8%. The Indirect auto loan portfolio achieved 8% growth in the number of loans made along with a 15.7% increase in the amount of loans funded, ending the year with \$78.5 million in balances.

Through our partnership with LendKey we provided a solution for private Student loans and funded 22.75% more loans than 2021 and experienced a growth of 40% in balances. We promoted loans to build or improve credit, and our members responded well borrowing over \$350,000 in Share Secured loans, achieving an increase of 185% in the number of loans made. Personal loans, motorcycle loans and second mortgage loans also experienced double-digit growth over 2021.



\$78.5 mill
Total
Indirect loans

In 2022, members still trusted MemberSource CU to be a sound and secure place for their deposit dollars. We closed 2022 with Total Assets at \$219,341,454 and Total Shares at \$198,105,807. Term Share Certificates experienced the greatest growth with balances ending at \$20,565,472, an increase of 13.4%.

SUPPORT AND COLLABORATION

The post-Covid financial landscape has shifted and we hope you, our members, recognize and value the credit union difference. MemberSource CU has worked diligently to shift with it and provide you the best value and experience possible. The pandemic caused the financial industry to rethink many of its standard practices, working to implement more efficient processes moving forward while creating an experience that still feels personal and supports our members' need for convenience. An increasing number of members prefer to do their banking online and easy to navigate websites and apps are a priority. In 2022, MemberSource CU collaborated with our partners to add more online banking tools such as CreditScore, online account

Connections

opening, digital wallet payment options and premium texting/fraud alert capability - all at no charge to our members. We continued our partnership with Balance, a free online resource all members can utilize to improve their education on a multitude of financial topics through webinars, workbooks, articles and worksheets.

In mid-2022, we switched from hosting our data on site and moved to a service bureau environment allowing us to take advantage of their industry expertise and vast resources. During this conversion, we also switched to a new statement provider that resulted in statements with a new look and enhanced e-statement capability as well as adding a new, more robust audio response service.

ALLIANCE

MemberSource CU knows you look to, and depend on, our staff to have the financial knowledge and the product solutions you desire. That's why we partner with companies such as Member Home Loan and Member Auto Center, to make sure we are able to meet your financial needs. To make certain our staff meets your expectations, they attend various training opportunities throughout the year.

In 2022, our employees participated in over 300 hours in product knowledge courses, passed a total of 590 hours worth of continuing education courses and attended nearly 80 hours of professional development courses. Additionally, select staff attended Cornerstone League-sponsored Credit Union Principles and Philosophies Training as well as graduated from Cornerstone League's Leadership Academy.



13.4%

Increase in
Term Share Certificates

COMMUNITY

As a community credit union, we realize we have the privilege and responsibility of giving back to the communities we serve. Together, we raised funds for the Dream Foundation and Susan G. Komen, and donated school supplies to Cornerstone League's YP (Young Professional) fundraiser. Our employees also have the option to contribute each pay period to Cornerstone's Political Action Committee and Foundation. In 2022 we hosted a Blood Drive and Shred Day event open to the community. Lastly, as an organization, we created a Charitable Donation Account where funds will be distributed to various community charities throughout its existence.

Together with our credit union partners, MemberSource is continuing to embrace digital technologies by transforming into a modern and flexible business that serves our members and our community. We are YOUR credit union. We are here to serve YOU. As our member-owners, YOU are integral to our success as an organization, and we are grateful you've chosen MemberSource CU as your financial partner.

Report from the Treasurer

Connections

Supporting our members by meeting their financial needs is the core foundation of the credit union. The success of our credit union hinges on the interest and engagement of our member-owners. We know you have choices when it comes to your financial institution, and we appreciate that we've earned this relationship.

Despite fluctuating rates and supply and demand availability for houses and vehicles in 2022, MemberSource CU performed well in these areas:

- Income on mortgage loans grew slightly and the balance of second mortgage loans increased 19% to over \$8.4 million.
- Auto loans (especially indirect auto loans) experienced the most significant growth of 15.74%.
- Even with the uncertainty in our economy and the rising costs of food, energy and gas, our members continued to be diligent in paying back their loans. Delinquency remained extremely low at 0.21% and Net Charge Offs decreased from 0.29% in 2021 to 0.21% in 2022.
- MemberSource CU continues to be a well-capitalized financial institution, with a strong net worth ratio of 10.21%, up 4.18% over 2021. A net worth position above 7% is considered well-capitalized by our regulators.

\$8.4 Mill

Mortgage
Loans

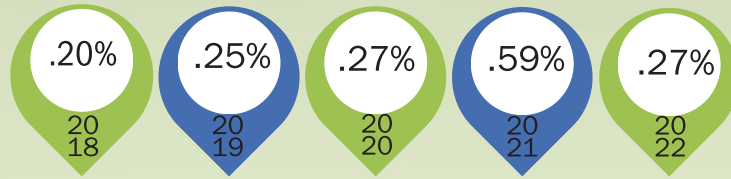
0.21%
Delq Ratio

15.74%

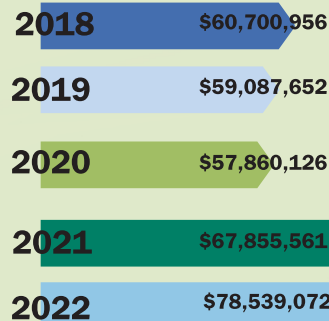
Auto Loans
Increase

10.21%
Net Worth

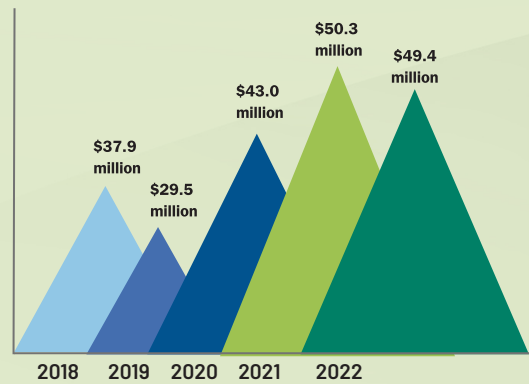
By the Numbers



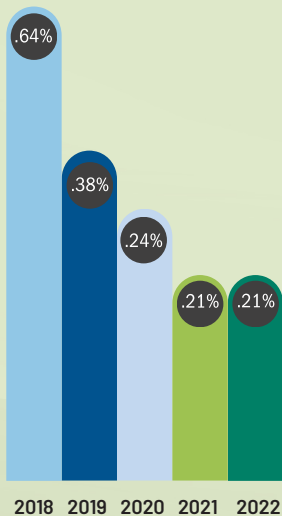
Return on assets



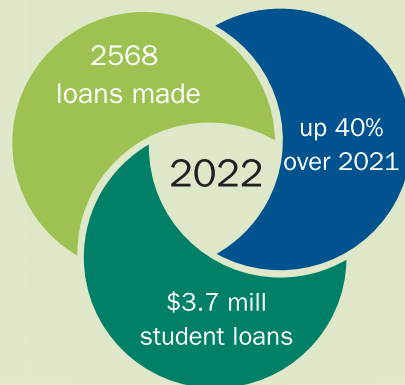
Indirect loans



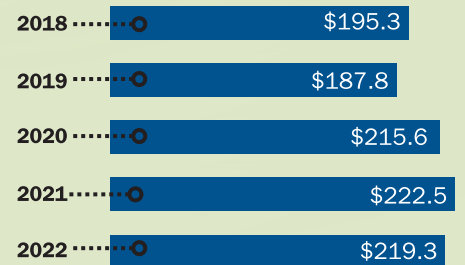
New loans funded by year



Delinquency ratio



Student loans



Assets

Credit Union

Financials


2022
2021
Statement of financial condition
ASSETS

Loans to Members, net	\$ 166,622,303	\$ 154,361,685
Cash and Cash Equivalents	5,623,771	1,654,386
Investments (Available for Sale/Other)	32,682,199	52,752,137
Property and Equipment, net	5,904,232	5,973,927
Share Insurance Deposits	1,963,701	1,825,407
Other Assets	5,999,584	5,449,586
Accrued Interest Receivable	545,664	512,755
TOTAL ASSETS	\$219,341,454	\$ 222,529,883

LIABILITIES & MEMBERS' EQUITY

Members' Shares	198,105,807	199,937,710
Accrued Expenses & Other Liabilities	1,450,380	1,075,987
TOTAL MEMBERS' EQUITY	\$19,785,267	\$21,516,186
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$219,341,454	\$222,529,883

Statement of income
INTEREST INCOME

Interest on Loans to Members	\$6,088,957	\$ 6,304,383
Interest on Investments and Cash Equivalents	520,481	524,330
TOTAL INTEREST INCOME	\$6,609,438	\$6,828,713

INTEREST EXPENSE (Dividends on Members' Shares plus Interest on Borrowed Funds)	\$430,681	\$ 325,891
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TOTAL INTEREST EXPENSE

Net Interest Income	\$6,178,757	\$6,502,822
Provision for Loan Losses	254,054	94,861
Net Interest Income After Provision for Loan Losses	\$5,924,703	\$6,407,961

NON-INTEREST INCOME

Service Charges and Other Fees	\$2,847,275	\$3,018,379
NCUSIF Non-Operating and Other Non-Interest Income	0	0

TOTAL NON-INTEREST INCOME	\$2,847,275	\$ 3,018,379
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Income Before General and Administrative Expenses	\$8,771,978	\$ 9,426,340
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GENERAL ADMINISTRATIVE EXPENSES

Salaries and Benefits	\$4,291,891	\$ 4,339,460
Occupancy	715,531	681,034
Operations	3,173,409	3,114,673

TOTAL GENERAL AND ADMINISTRATIVE EXPENSE	\$8,181,831	\$8,135,167
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NET INCOME	\$591,147	\$ 1,291,173
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Other Comprehensive Income: Net Change in Unrealized

Gains (Losses) on Available-for-Sale Investments	0	5,226
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TOTAL COMPREHENSIVE INCOME	\$591,147	\$1,296,399
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About Us

BOARD OF DIRECTORS

- Jeremy Smith, Chair
- Patrick Gibson, Vice Chair
- Joe Hildenbrand, Treasurer
- Cheri L. Peper, Secretary
- Gay Baskin, Member
- David L. Berry, Member
- Eddie Corvin, Member
- Ellen S. Tarver, Member

MANAGEMENT TEAM

- Kenny Harrington
President, CEO
- Leon Davis
Chief Financial Officer
- Kelly Brink
Chief Lending Officer
- Diana Fisher
Vice President, Marketing
- Bobbi Phelps
Vice President, Branch Operations
- Samuel Phelps
Vice President, Information Technology

BRANCH LOCATIONS

- Westchase Branch
10100 Richmond Ave
Houston TX 77042
- Sugar Land Branch
16535 Lexington Blvd - Suite 145
Sugar Land TX 77479
- The Woodlands Branch - (inside Oxy)
1201 Lake Robbins Dr - 1st floor
The Woodlands, TX 77380

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