

2013 ANNUAL REPORT

PREPARED FOR METRO'S
41ST ANNUAL MEETING



FRIDAY, MARCH 7TH

2014



2440 E RAND ROAD ARLINGTON HEIGHTS, IL 60004

41st Annual Meeting

March 7, 2014

METRO Federal Credit Union
2440 E Rand Road
Arlington Heights, Illinois

Meeting Agenda

- A. Call to Order—6:00 P.M.
- B. Approval of Minutes
40th Annual Meeting Held March 8, 2013
- C. Chairman’s Report— Susan E. Gwinnup
- D. President’s Report — Salvatore Fragale
- E. Supervisory Committee Report — Stephen Lane
- F. Election of Directors (Acclamation Vote)
- G. Old Business
- H. New Business
- I. Adjournment

Minutes of the 40th Annual Meeting Held March 8, 2013

The 40th Annual Meeting was called to order by Chairman, Susan Gwinnup at 6:00pm in the credit union facilities at 2440 East Rand Road, Arlington Heights, Illinois.

Approval of Minutes

Kevin Gwinnup initiated a motion to approve the minutes of the 39th Annual Meeting as presented. Lisa Kruzel seconded this motion which was voted without discussion and approved by unanimous vote.

Chairman's Report

Susan Gwinnup welcomed attending members to the 40th Annual Meeting and highlighted stable 2012 financial results which were consistent with the previous year. While industry wide competition for shrinking levels of consumer business was intense, METRO's financial position remained secure. For the entire year, aggregate deposits grew approximately 1.30% while loans outstanding increased over 10.0%. For 2012, METRO realized its healthiest earnings in four years posting a \$33,000 net profit by year-end.

President's Lending Report

Dick Marra reported that METRO's lending business improved considerably in 2012. New loans written grew 15% over 2011 levels with \$6.0 Million in new credit approved during the year. Total loans outstanding by year-end grew over 10% to \$17.4 million. Lending performance was mixed with average delinquency rates falling below 1.00% but aggregate yield (income) on loans shrinking 30 basis points to 6.21%.

Supervisory Committee Report

Bob Doran summarized the results of the 2012 Supervisory Audit conducted by Desmond & Ahern, CPAs and the periodic surprise audits the committee itself performed. Exam results for 2012 confirmed that METRO continued to operate on a sound basis emphasizing safety and financial control.

Ed Geiss initiated and Kevin Gwinnup seconded a motion to accept the 2012 Financial and Supervisory Committee Reports as presented. This motion, which was voted without discussion, was unanimously approved.

Election Results

Dick Marra confirmed that since only three candidates applied for three Director's positions available in 2013, only a voice vote confirming their election was required. Larry DeLegge initiated and Ed Geiss seconded a motion to elect the three announced candidates. This motion was accepted by acclamation; Ted Loesch, Roger Mueller and Donna Wilson were certified for three year terms beginning in 2013.

Old Business

No old business was introduced for discussion.

New Business

No new business was introduced for discussion.

Adjournment

Susan Gwinnup polled members regarding any additional business for discussion; none was introduced.

Ed Geiss initiated a motion to adjourn the meeting which was seconded by Natalie Silverman. This motion was accepted by voice vote. Susan Gwinnup adjourned the meeting at 6:25 pm.

Respectfully submitted,

Donna L. Wilson, Secretary

Certified as correct,

Susan E. Gwinnup, Chairman

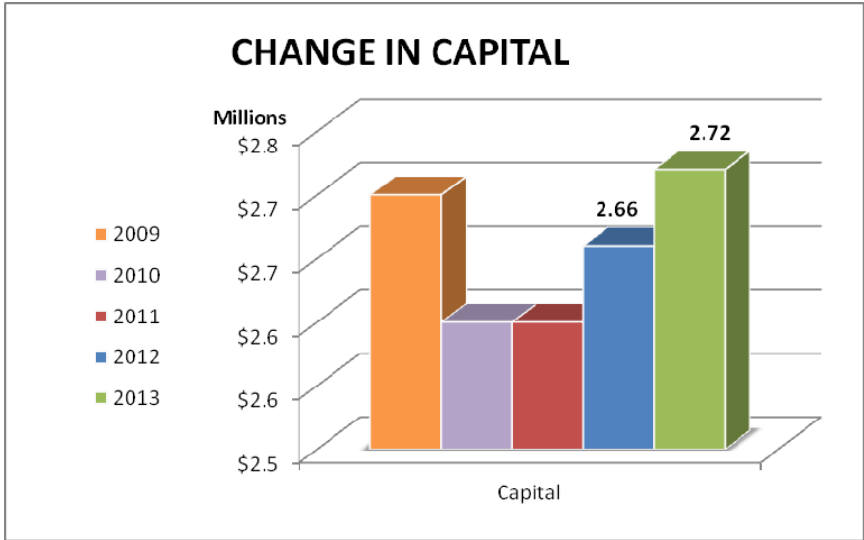
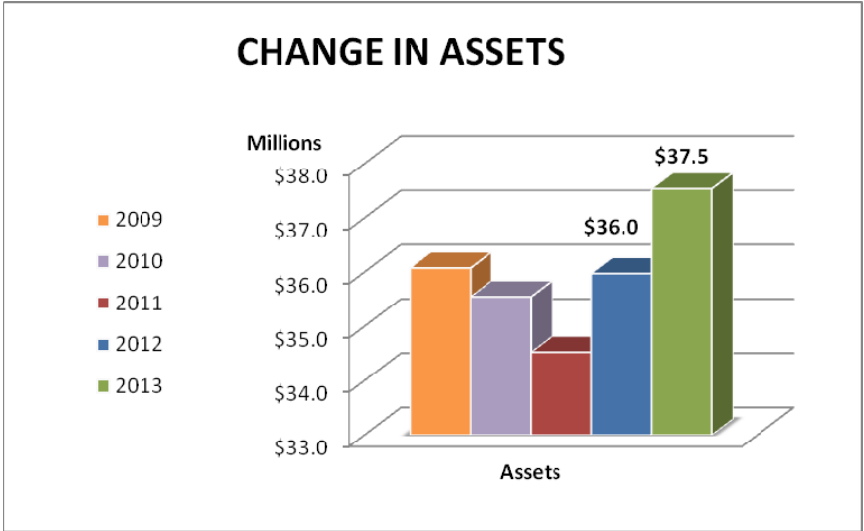
Chairman's Report

Susan Gwinnup

Welcome to METRO's 41st Annual Meeting. 2013 was a successful year for METRO. The credit union experienced a solid financial year as economic conditions remained stable. METRO's operating results in 2013 improved over the previous year with Member deposits increasing by 4.5% to \$33.5 million and loan growth increasing by 8.4% to reach \$18.8 million. Additionally, METRO's net income of \$51,000 reflects the healthiest earnings level since 2008.

As we look forward to the new year, interest rates are expected to remain unchanged. METRO will continue to offer opportunities for members to purchase new vehicles and consolidate debt at attractive financing rates. Our focus remains consistent as we concentrate on building member relationships by providing outstanding service. Management will also add new lending products for members which will expand METRO's potential earnings and improve long term capital goals. Finally, planning is underway to implement an advanced and more extensive online banking system, including mobile capabilities, which the credit union will introduce in early 2015.

The Board of Directors would like to express their appreciation to Dick Marra for his 23 years of service as METRO's President. He will retire as of March 28, 2014. Salvatore Fragale has been appointed to succeed Dick as President of METRO Federal Credit Union. Sal has served as Vice President for over 23 years and is confident in his ability to guide the credit union into the future.



President's Report

Salvatore Fragale

METRO's lending operations continued to improve during 2013. New loan origination of 433 loans produced a total of \$7.0 million, which is a 19% increase over the previous year. Outstanding loans grew 8.4% to \$18.8 Million. Strong loan expansion in both real estate and signature loans contributed to the exceptional year in new loan origination.

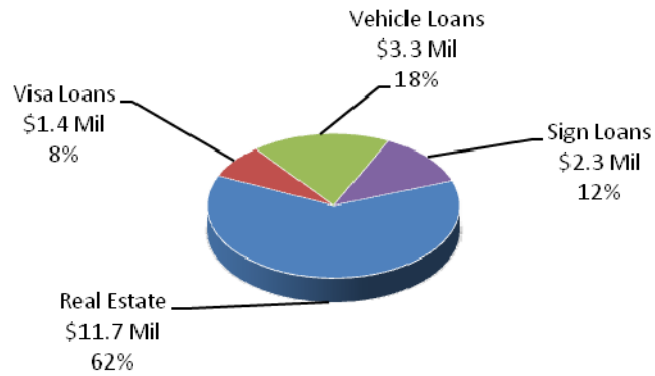
Loan Origination by Type:

▶ 1 st Mortgages & Home Equity	\$3.7 Million or 52%
▶ Vehicle Loans	\$1.8 Million or 26%
▶ Signature Loans	\$1.5 Million or 22%

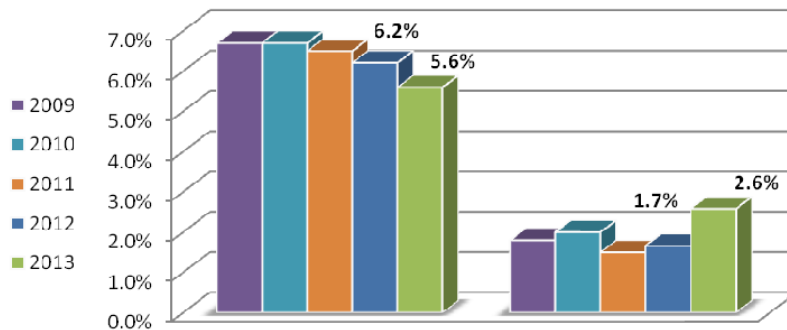
Lending performance was mixed with average delinquency rates rising to 2.1% and yield (income) shrinking to 5.6%. Loan yield continues to show downward pressure as higher yielding loans are repaid and reinvested at lower rates.

	2009	2010	2011	2012	2013
Loans Outstanding (Millions)	\$16.4	\$14.4	\$15.7	\$17.4	\$18.8
Net Loan Yield (Interest Earned)	6.7%	6.7%	6.5%	6.2%	5.6%
Delinquency	1.8%	2.0%	1.5%	0.9%	2.1%

2013 LOANS OUTSTANDING



LOAN YIELD DELINQUENCY RATIO



Supervisory Committee Report

Stephen Lane

METRO's most recent Supervisory Committee Audit has re-confirmed that METRO continues to place a high priority on safety and control. During 2013, the Supervisory Committee engaged the firm of Desmond and Ahern to conduct its annual examination. Based on their CPA review and its own assessments, the Supervisory Committee concludes that:

- ▶ **METRO's financial condition remains healthy and sound.**
- ▶ **METRO's financial statements and records accurately represent members accounts and the credit union's financial position.**
- ▶ **Management policies and procedures are adequate to provide a superior level of security for member assets.**

METRO FEDERAL CREDIT UNION
STATEMENT OF CONDITION
DECEMBER 2013

ASSETS	
LOANS TO MEMBERS	\$ 18,825,934
INVESTMENTS	16,530,419
OTHER ASSETS	<u>2,177,031</u>
TOTAL ASSETS	\$ 37,533,384
 LIABILITIES	
LIABILITIES	1,313,677
 MEMBERS EQUITY & RESERVES	
MEMBER SHARES	\$ 33,502,567
RESERVES	<u>2,717,140</u>
TOTAL RESERVES	36,219,707
 LIABILITIES, MEMBERS EQUITY & RESERVES	 \$ 37,533,384

STATEMENT OF INCOME
DECEMBER 2013

INCOME	
INCOME FROM LOANS	\$ 1,011,807
INVESTMENT INCOME	231,823
FEES AND CHARGES	242,377
MISCELLANEOUS INCOME	<u>9,046</u>
TOTAL INCOME	\$ 1,495,053
 EXPENSES	
EMPLOYEE COMPENSATION AND BENEFITS	\$ 739,018
PROFESSIONAL AND OUTSIDE SERVICES	334,509
OFFICE OCCUPANCY EXPENSES	245,406
OTHER OPERATING EXPENSE	<u>22,738</u>
TOTAL OPERATING EXPENSES	\$ 1,341,671
 DIVIDENDS ON SHARE DEPOSITS	 18,664
PROVISION FOR LOAN LOSSES	<u>84,000</u>
TOTAL EXPENSES	1,444,335
 NET INCOME (LOSS) AFTER DIVIDENDS	 \$ 50,718

DIRECTORS

Board Chairman	Sue Gwinnup
Vice-Chairman	Roger Mueller
Treasurer	Dean Stewart
Secretary	Donna Wilson
Director	Ed Geiss
Director	Ted Loesch
Director	Larry DeLegge

SUPERVISORY COMMITTEE

Chairman	Steve Lane
Member	Merilee McCracken
Member	Lynda Neuner

MANAGEMENT

President	Salvatore Fragale
President Emeritus	Richard Marra
Operations Officer	Natalie Silverman
Marketing/Compliance Officer	Kasey Smith

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