

2016 ANNUAL REPORT

PREPARED FOR METRO'S
44TH ANNUAL MEETING



FRIDAY, MARCH 3RD

2017



2440 E RAND ROAD ARLINGTON HEIGHTS, IL 60004

44TH Annual Meeting

March 3, 2017

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**
43rd Annual Meeting Held March 4, 2016
- 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 43rd Annual Meeting Held March 4, 2016

The 43rd Annual Meeting was called to order by Chairman, Susan Gwinnup at 6:05pm in the credit union facilities at 2440 East Rand Road, Arlington Heights, Illinois. It was verified that a quorum exists. Susan Gwinnup welcomed attending members to the 43rd Annual Meeting and thanked the credit union staff, board members, and committee members for their commitment to the credit union. Susan also showed her appreciation for the work done in the loan department and member services, promoting the difference credit unions make.

Approval of Minutes

Kevin Gwinnup initiated a motion to approve the minutes of the 42st Annual Meeting as presented. Barry Koehl seconded this motion, which was voted without discussion, and approved by unanimous vote.

Chairman's Report

Susan Gwinnup highlighted METRO's financial performance for year ending 2015. For the entire year, total assets reached \$39.9 million and loans outstanding reached \$19.4 million. Net income and contribution to undivided earnings was \$109,000, its healthiest earnings since the financial crisis.

Susan reported that during the year METRO upgraded its technology platform paving the way to new online and mobile services. During the year METRO added improved online access with single sign-on to online bill paying, eStatements, eNotices, tax forms, eAlerts, and online loan applications. Additionally, a branded mobile application with remote check deposit was implemented.

President's Lending Report

Salvatore Fragale reported that METRO's lending operations continued strong in 2015 as outstanding loans reached \$19.4 million. The loan department booked 494 new loans for a total of \$7.1 million. METRO approved 97% of all loan applications received. A strong demand for vehicle loans and signature loans contributed to a positive year in loan originations. The breakdown of new loans : 1st Mortgage and Home Equity loans 38%, Vehicle Loans 34%, and Signature loans 28%. Salvatore reported that METRO's average delinquency rate had decreased to .52% and yield on loans was at 5.25%.

Supervisory Committee Report

Steve Lane summarized the results of the 2015 Supervisory Audit conducted by Randall Gross & Co., CPAs and the periodic surprise audits performed by the committee itself. The NCUA Exam results for 2015 confirmed that METRO Credit Union continued to operate on a sound basis emphasizing safety and financial control.

Kevin Gwinnup initiated, and Barry Koehl seconded, a motion to accept the 2015 Financial and Supervisory Committee Reports as presented. This motion, which was voted without discussion, was unanimously approved.

Election Results

Salvatore Fragale announced that Ted Loesch was not seeking re-election and would retire from METRO's board effective February 18, 2016. The board thanked him for his years of service and wished him a happy retirement. David Schultz submitted his application for board and has the required petition and signatures to serve on the board.

Since there are three announced candidates for the three open director positions, David Schultz, Roger Mueller, and Donna Wilson, were all re-elected by a voice vote. Lisa Kruzel initiated and Peter Ahlman seconded, a motion to elect the three announced candidates. This motion was accepted by acclamation; David Schultz, Roger Mueller, and Donna were certified for three year terms beginning in 2016.

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 were introduced.

Larry DeLegge initiated a motion to adjourn the meeting which was seconded by Kevin Gwinnup. This motion was accepted by voice vote. Susan Gwinnup adjourned the meeting at 6:20 pm.

Respectfully submitted,

Donna L. Wilson,

Secretary

Certified as correct,

Susan F. Gwinnup,

Chairman

Chairman's Report Susan Gwinnup

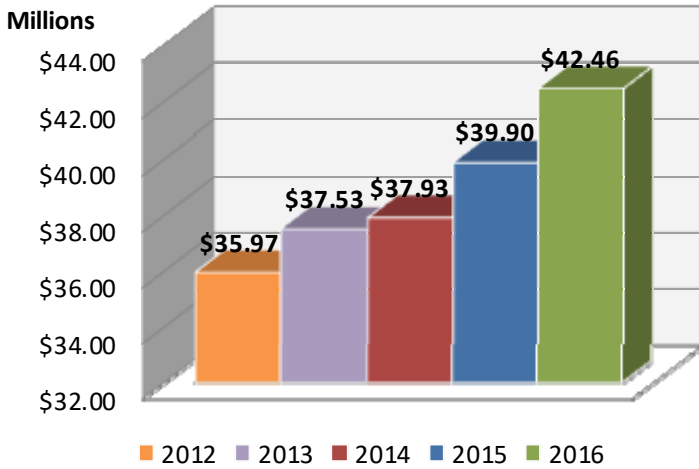
Welcome to METRO's 44th Annual Meeting. METRO credit union experienced a strong financial year as economic conditions improved. METRO's operating results for 2016 outperformed the previous year. Total assets grew 6.43% to \$42.46 million. Total loans outstanding increased 8.42% to \$21.1 million. For the entire year of 2016, METRO's net income increased to \$173,569. As indicated on the chart, METRO's undivided earnings totaled \$3.08 million, or 7.26% of total assets. This reflects a well-capitalized credit union.

METRO Credit Union continues to provide innovative products and services. Based on the input of our members, we have added several new products and services. Our website redesign provided a modern design with easy access to the most common pages used.

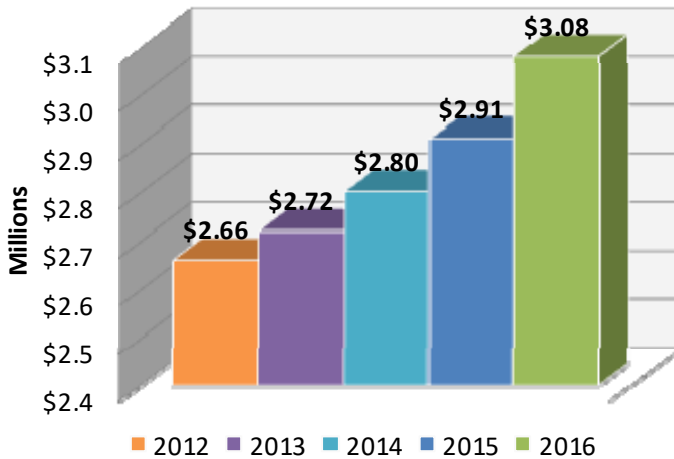
Another important change involved the upgrade to EMV Chip Visa Cards. Initially, all Gold card members received new EMV Chip cards. The remaining members will receive EMV Visa Cards when their card expires. Additionally, significant progress was made into the mobile wallet arena for METRO Visa Cardholders. By December 2016, Apple pay was implemented and operational on most apple devices. Samsung Pay was operational by January 15, 2017.

Our goal is to become each member's primary financial institution through outstanding services and low fees. Finally, I would like to thank the staff for embracing the many changes implemented to improve the quality of service METRO provides and for helping us grow into a stronger, more viable financial institution.

ASSET GROWTH



CAPITAL GROWTH



President's Report Salvatore Fragale

The credit union's loan department experienced a year of solid performance. Loan originations reached 464 loans, of which 97% were approved. METRO's new loans granted by the credit union reached \$7.8 million. Total loans outstanding at 2016 year-end was \$21.1 million, and this reflects a 8.42% increase from the previous year.

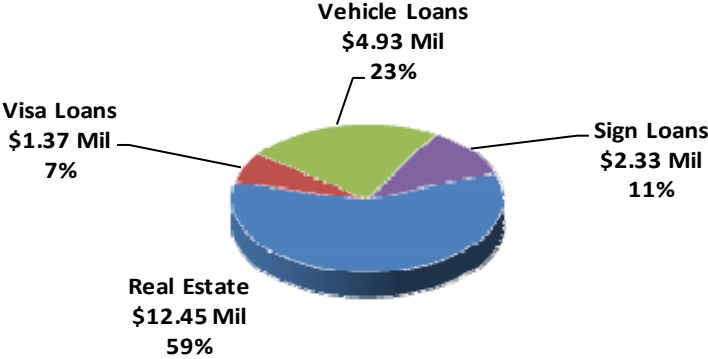
Loan Distribution:

- 1st Mortgages \$12.5 Million or 59%
- Vehicle Loans \$4.9 Million or 23%
- Signature Loans \$2.3 Million or 11%
- Visa Loans \$1.4 Million or 7%

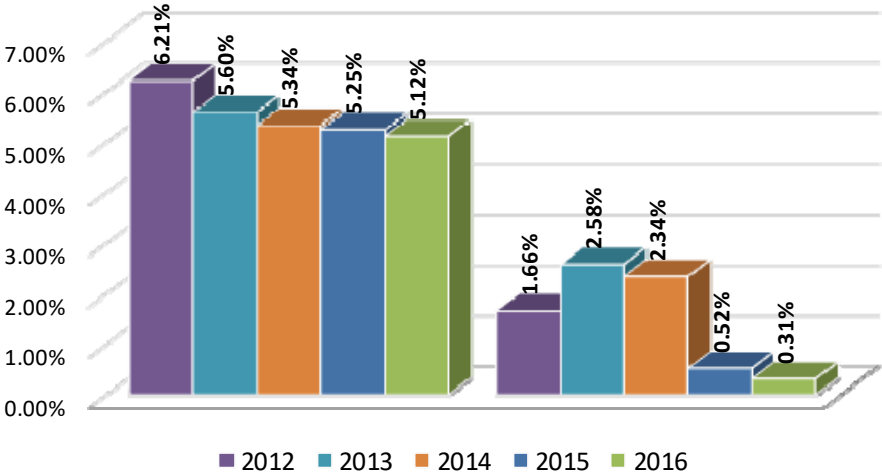
METRO's loan portfolio contains a balanced distribution of loans. For year-ending 2016, the average loan yield declined 13 basis points from the prior year to 5.12%. Total delinquent loans decreased significantly. METRO's delinquency ratio is now 0.31%.

	2012	2013	2014	2015	2016
	_____	_____	_____	_____	_____
Loans Outstanding (Millions)	\$17.4	\$18.8	\$18.7	\$19.4	\$21.1
Net Loan Yield (Interest Earned)	6.2%	5.6%	5.3%	5.25%	5.12%
Delinquency	1.7%	2.6%	2.3%	.52%	.31%

2016 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 2016, the Supervisory Committee retained the firm of Randall Gross & Co. to conduct its annual audit. Based on their CPA review and METRO's own assessments, the Supervisory Committee concluded that:

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

During the annual examination by the National Credit Union Administration (NCUA), they thoroughly reviewed METRO's overall operations and records. NCUA again expressed confidence in the overall direction of the credit union and they had no material findings. The credit union has been determined financially safe and sound.

METRO FEDERAL CREDIT UNION
STATEMENT OF CONDITION
DECEMBER 2016

ASSETS	
LOANS TO MEMBERS	\$ 21,082,177
INVESTMENTS	19,575,742
OTHER ASSETS	<u>1,805,535</u>
TOTAL ASSETS	\$ 42,463,454
LIABILITIES	
LIABILITIES	\$ 493,790
MEMBERS EQUITY & RESERVES	
MEMBER SHARES	\$ 38,885,433
RESERVES	<u>3,084,231</u>
TOTAL RESERVES	41,969,664
LIABILITIES, MEMBERS EQUITY & RESERVES	\$ 42,463,454

STATEMENT OF INCOME
DECEMBER 2016

INCOME	
INCOME FROM LOANS	\$ 1,033,240
INVESTMENT INCOME	240,236
FEE AND CHARGES	265,754
MISCELLANEOUS INCOME	<u>20,811</u>
TOTAL INCOME	\$ 1,560,041
EXPENSES	
EMPLOYEE COMPENSATION AND BENEFITS	\$ 642,292
PROFESSIONAL AND OUTSIDE SERVICES	257,416
OFFICE OCCUPANCY EXPENSES	354,218
OTHER OPERATING EXPENSE	<u>35,242</u>
TOTAL OPERATING EXPENSES	\$ 1,289,169
DIVIDENDS ON SHARE DEPOSITS	19,298
PROVISION FOR LOAN LOSSES	<u>78,000</u>
TOTAL EXPENSES	1,386,467
NET INCOME (LOSS) AFTER DIVIDENDS	\$ 173,574

DIRECTORS

Board Chairman	Susan Gwinnup
Vice-Chairman	Roger Mueller
Treasurer	Dean Stewart
Secretary	Donna Wilson
Director	Ed Geiss
Director	Larry DeLegge
Director	David Schultz

SUPERVISORY COMMITTEE

Chairman	Stephen Lane
Member	Merilee McCracken
Member	Lynda Neuner
Member	Debra Barrett
Member	Tom Seleski

MANAGEMENT

President	Salvatore Fragale
Operations Officer	Kasey Smith
Operations & Control Specialist	Lisa Kruzell

METRO FEDERAL CREDIT UNION
2440 E. Rand Road
Arlington Heights, Illinois 60004

Main (847) 670-0456
Fax (847) 670-0401

www.mcu.org

