

2017 ANNUAL REPORT

PREPARED FOR METRO'S
45TH ANNUAL MEETING



FRIDAY, MARCH 2ND

2018



2440 E RAND ROAD ARLINGTON HEIGHTS, IL 60004

45TH Annual Meeting

March 2, 2018

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**
44th Annual Meeting Held March 3, 2017
- C. Chairman's Report**
— Donna Wilson
- 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 44th Annual Meeting Held March 3, 2017

The 44th Annual Meeting was called to order by Chairman, Susan Gwinnup at 6:04pm 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 44th 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 43rd Annual Meeting as presented. Ed Geiss 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 2016. For the entire year, total assets grew to \$42.46 million and loans outstanding reached \$21.1 million. Net income and contribution to undivided earnings was \$173,569, which was a significant increase from last year's total.

Susan reported that during the year METRO redesigned the website to provide easy access to the most common used pages. METRO also continued to focus on providing innovation products and services, such as an upgrade to EMV Chip VISA Cards. As of December 2016, Apple pay was implemented and operational on most apple devices. Susan explained that it is the credit union's primary goal to become each member's primary financial institution.

President's Lending Report

Salvatore Fragale reported that METRO's lending operations continued strong in 2016 as outstanding loans reached \$21.1 million. The loan department booked 464 new loans for a total of \$7.8 million. METRO approved 97% of all loan applications received. A strong demand for vehicle and real estate loans contributed to a positive year in loan originations. The breakdown of new loans showed : 1st Mortgage and Home Equity loans 59%, Vehicle Loans 23%, and Signature loans 11%. Salvatore reported that METRO's average delinquency rate had decreased to .31% and yield on loans was at 5.12%.

Supervisory Committee Report

Steve Lane summarized the results of the 2016 Supervisory Audit conducted by Randall Gross & Co., CPAs and the periodic surprise audits performed by the committee itself. The NCUA Exam results for 2016 confirmed that METRO Credit Union continued to operate on a sound basis emphasizing safety and financial control.

Scott Miller initiated, and Kevin Gwinnup seconded, a motion to accept the 2016 Financial and Supervisory Committee Reports as presented. This motion, which was voted without discussion, was unanimously approved.

Election Results

Since there were two announced candidates for the two open director positions, Susan Gwinnup and Edward Geiss, were both re-elected by a voice vote. Lisa Kruzel initiated and Larry DeLegge seconded a motion to elect the two announced candidates. This motion was accepted by acclamation; Susan Gwinnup and Edward Geiss were certified for three year terms beginning in 2017.

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.

Kevin Gwinnup initiated a motion to adjourn the meeting which was seconded by Robert Kupon. This motion was accepted by voice vote. Susan Gwinnup adjourned the meeting at 6:15 pm.

Respectfully submitted,

Donna L. Wilson,

Secretary

Certified as correct,

Susan E. Gwinnup,

Chairman

Chairman's Report Donna Wilson

Welcome to METRO's 45th Annual Meeting. METRO credit union experienced a strong financial year as economic conditions continue to improve. METRO's operating results for 2017 outperformed the previous year. Total assets rose 2.2% to \$43.62 million. Total loans outstanding increased 5.94% to \$22.3 million. For the entire year of 2017, METRO's net income increased to \$278,311. As indicated on the chart to the right, METRO's undivided earnings totaled \$3.36 million, or 7.71% of total assets. This reflects a well-capitalized credit union.

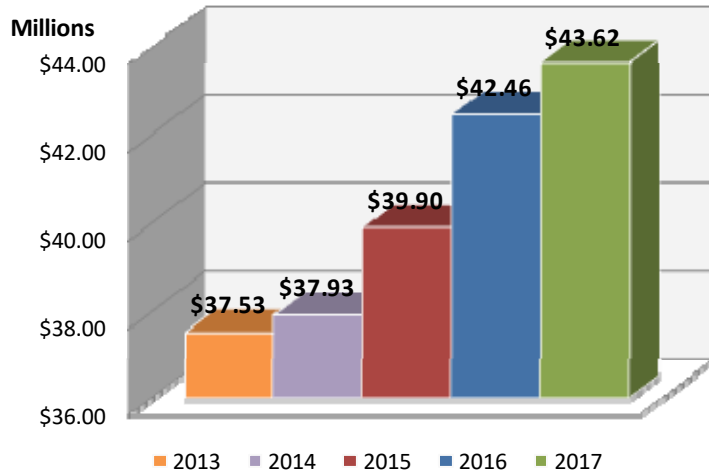
The Board of Directors, management and staff rely on the input of our members for new products, services, and technology. This past year we've made the transition to EMV Chip Debit Cards. All new and expiring debit cards will continue to be issued as upgraded chip cards. Credit union staff is now also able to issue instant EMV chip debit cards. Members are able to leave with a debit card and immediately begin to make purchases.

METRO held its first annual Member Appreciation Week June 12, 2017 through June 17, 2017. The credit union provided loan and product specials, snacks, raffle prizes, daily give-a-ways, paper shredding, and a hotdog lunch to acknowledge and honor all of our members

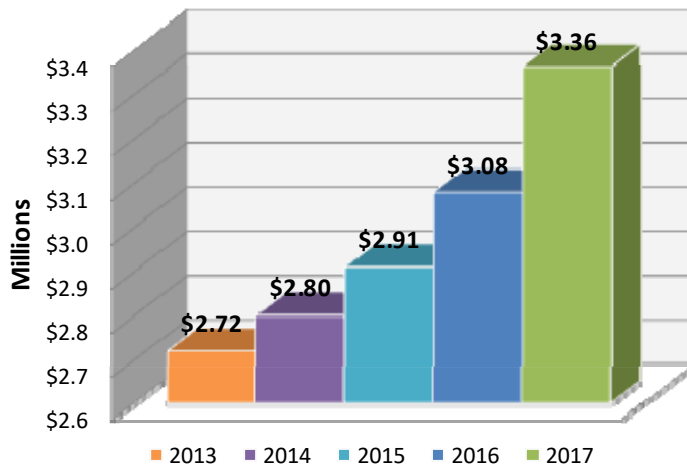
June 12th 2017 was also the start of METRO's partnership with CO-OP Shared Branching. CO-OP Shared Branches are credit unions that accept member transactions on behalf of other credit unions. Our members are now able to perform account transactions, at over 5,000 branch locations nationwide and have access to over 30,000 surcharge-free ATM's.

METRO strives to provide not only useful technology but convenient services to continuously enhance Member satisfaction. Finally, I would like to thank the staff for their hard work throughout the year. You are the faces of the credit union and on behalf of the board, we appreciate your dedication to the credit union.

ASSET GROWTH



CAPITAL GROWTH



President's Report Salvatore Fragale

The credit union's loan department experienced a year of solid performance. Loan originations reached 542 loans, of which 98% were approved. METRO's new loans granted by the credit union reached \$8.7 million. Total loans outstanding at 2017 year-end was \$22.3 million, and this reflects a 5.94% increase from the previous year.

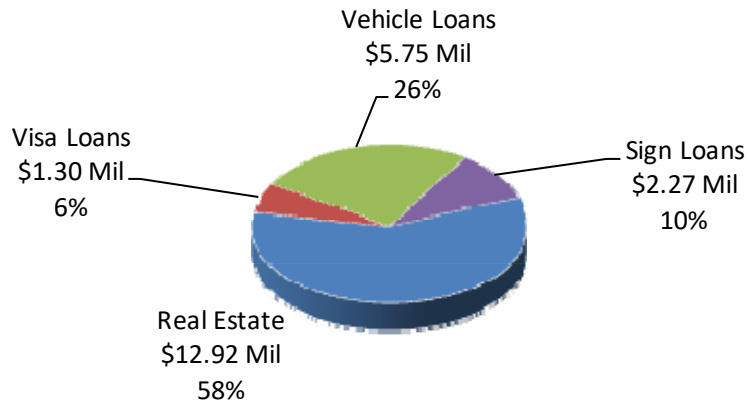
Loan Distribution:

- 1st Mortgages \$12.92 Million or 58%
- Vehicle Loans \$5.75 Million or 26%
- Signature Loans \$2.27 Million or 10%
- Visa Loans \$1.30 Million or 6%

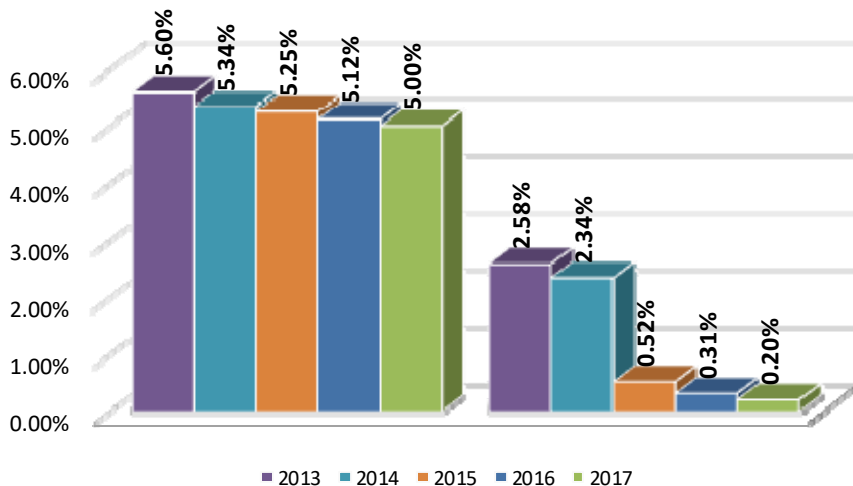
METRO's loan portfolio contains a balanced distribution of loans. For year-ending 2017, the average loan yield declined 12 basis points from the prior year to 5.00%. Total delinquent loans decreased from prior year and METRO's delinquency ratio is at an all time low of 0.20%.

	2013	2014	2015	2016	2017
Loans Outstanding (Millions)	\$18.8	\$18.7	\$19.4	\$21.1	\$22.3
Net Loan Yield (Interest Earned)	5.6%	5.3%	5.25%	5.12%	5.00%
Delinquency	2.6%	2.3%	.52%	.31%	.20%

2017 LOANS OUTSTANDING



Loan Yield & Delinquency Ratio



Supervisory Committee Report

Stephen Lane

METRO's audits continue to show the positive efforts of the staff. The most recent Supervisory Committee Audit has re-confirmed that METRO continues to place a high priority on safety and control.

During 2017, 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 member 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 expressed confidence in the overall direction of the credit union and they had no material findings.

We are pleased with the performance of management and the Board on their work to maintain a financially strong credit union!

METRO FEDERAL CREDIT UNION
STATEMENT OF CONDITION
DECEMBER 2017

ASSETS

LOANS TO MEMBERS	\$	22,335,167
INVESTMENTS		18,907,294
OTHER ASSETS		2,376,838
TOTAL ASSETS		<u>43,619,299</u>

LIABILITIES

LIABILITIES	\$	674,359
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MEMBERS EQUITY & RESERVES

MEMBER SHARES	\$	39,582,399
RESERVES		3,362,541
TOTAL RESERVES		<u>42,944,940</u>

LIABILITIES, MEMBERS EQUITY & RESERVES	\$	43,619,299
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STATEMENT OF INCOME
DECEMBER 2017

INCOME

INCOME FROM LOANS	\$	1,095,990
INVESTMENT INCOME		371,855
FEES AND CHARGES		262,973
MISCELLANEOUS INCOME		16,411
TOTAL INCOME	\$	<u>1,747,230</u>

EXPENSES

EMPLOYEE COMPENSATION AND BENEFITS	\$	765,725
PROFESSIONAL AND OUTSIDE SERVICES		242,669
OFFICE OCCUPANCY EXPENSES		386,280
OTHER OPERATING EXPENSE		43,081
TOTAL OPERATING EXPENSES	\$	<u>1,434,755</u>

DIVIDENDS ON SHARE DEPOSITS		16,164
PROVISION FOR LOAN LOSSES		18,000
TOTAL EXPENSES	\$	<u>1,468,919</u>

NET INCOME (LOSS) AFTER DIVIDENDS	\$	278,311
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DIRECTORS

Board Chairman	Donna Wilson
Vice-Chairman	Roger Mueller
Treasurer	Dean Stewart
Secretary	Susan Gwinnup
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 Kruzel

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