2017 ANNUAL REPORT

MICHIGAN STATE UNIVERSITY®
FEDERAL CREDIT UNION
Building Dreams *Together*

Federally insured by NCUA

Michigan State University Federal Credit Union
Building Dreams Together

Celebrating 80 Years

CONTENTS

ABOUT MSUFCU

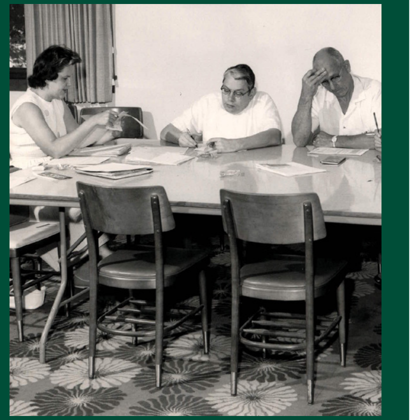
Michigan State University Federal Credit Union (MSUFCU) was founded in 1937 by Michigan State University (MSU) faculty and staff who needed a safe place to borrow and save money during the Great Depression. In 80 years, the Credit Union has grown to $3.85 billion in assets — making us the 48th largest credit union in the country, and the third largest credit union in the state of Michigan. Our growth and success reflects the relationships we've built with members and community partners.

From our modest beginnings operating out of a desk drawer on MSU's campus to opening a second headquarters building in East Lansing as well as our 18th branch in 2017, we've remained focused on our core values and mission. We use various communication methods such as social media and feedback forums to help us understand members' wants and needs, and offer innovative products and services to support their financial goals. Whether opening a child's first account or helping finance members' first homes, we work to provide a unique experience with every interaction. Together, we make dreams come true.

OUR MISSION: TO PROVIDE SUPERIOR SERVICE WHILE ASSISTING MEMBERS AND EMPLOYEES TO ACHIEVE FINANCIAL SECURITY, THEIR GOALS, AND ULTIMATELY, **THEIR DREAMS.**

CELEBRATING 80 YEARS OF SUPERIOR SERVICE

1937
Founded by MSU faculty and staff, we operated out of a desk drawer on MSU's campus. The Credit Union was originally named Michigan State College Employees Credit Union.



2017 was an exciting year as it marked MSUFCU's 80th anniversary. As we look back on its history, we can see MSUFCU has grown tremendously in the past 80 years. In 2017, we grew to over 251,000 members, more than 800 employees, $3.85 billion in assets, and over $1 billion in mortgages — all thanks to our loyal and supportive members and employees.

On October 1, 2017, MSUFCU invited Credit Union and community members to a special 80th Anniversary celebration at the second building on its headquarters campus. Welcoming more than 1,300 guests, this event featured various activities, including tours of the new building and visits with Sparty.

Special promotions and giveaways were available throughout the year, expressing our gratitude to our members, employees, and the community, who have helped the Credit Union succeed for 80 years and counting.

1955
Michigan State College became Michigan State University; the Credit Union changed its name to MSU Employees Credit Union.

1958
The Credit Union began operating out of a Quonset hut on MSU's campus, which continued for 13 years.

1966
Oakland University employees were added to our field of membership.

1971
Our first headquarters building opened on Crescent Road in East Lansing.

1979
The Credit Union became federally chartered and changed its name to MSU Federal Credit Union.

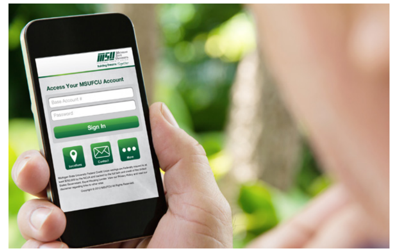
1985
MSU and OU students were added to our field of membership and we reached $100 million in assets.

1987
We sponsored the Dinosaur Dash 5K for the first time. This race, benefiting the MSU Museum, continues to be an annual favorite.

1996
MSUFCU launched its first website: msufcu.org

1998
The Call Center, originally known as the Contact Center, opened at our headquarters building on Crescent Road.

2003
We reached $1 billion in assets.



2011
Our first mobile app launched, providing members with 24/7 account access.

2017
We celebrated MSUFCU's 80th anniversary, and expanded by opening the second building on our headquarters campus and our first branch in Grand Rapids.

CHAIR'S MESSAGE

William Beekman

Chair of the Board

Dear Members,

Thank you for making 2017 another remarkable year of record growth and exciting opportunities. Each year, I reflect on the many achievements of the Credit Union, all possible because of the support of our members. What we have accomplished together is extraordinary: In 2017, loan growth exceeded 20%, membership grew by nearly 9%, and we now serve 251,497 members.

This past year marked 80 years of MSU Federal Credit Union helping members achieve their dreams. Throughout the year, we celebrated our humble beginnings operating from a single desk drawer on Michigan State University's campus to our promising future with expansion in the Grand Rapids and metro Detroit areas to the continued development of innovative products and services. Through the past 80 years, we have remained committed to our members and community, understanding that our success is a testament to the support you have shown us.

Investing in our communities and serving our members, we opened a new branch in Grand Rapids and remodeled our Downtown Lansing, Sparrow, and MSU Union branches. Each of the branches features our new universal model of a modern, open layout that welcomes visitors to stations where all personal and business-related transactions can be completed in one spot, with one employee.

In 2017, we hired our 800th employee, further extending our community investment in employment growth and economic development. It takes the hard work and dedication of each and every employee to continue delivering the outstanding service our members deserve. We look for and support local talent who bring not only knowledge and skills, but a passion for helping others and building stronger communities.

On behalf of the Board of Directors, I would like to thank our management team, employees, community partners — and most important, our members — for being a part of our legacy and of our future.

Sincerely,

W Beekman

William Beekman

PRESIDENT'S MESSAGE

April M. Clobes

President/CEO

Dear Members,

2017 was a notable year for the Credit Union, with many milestones to celebrate. We welcomed thousands of members at our combined 80th Anniversary celebration and Grand Opening of the second building on our headquarters campus. As I spoke with members that day, I heard many stories of how the Credit Union has helped them achieve their dreams of homeownership, new cars, and memorable family vacations. The best stories, however, were those about how we continue to provide outstanding service and spend time with each member to help with his or her financial needs, and that our team listens, teaches, and above all else, cares about our members.

Because we continue to grow membership at a rate twice that of the industry average, we have the opportunity to hire more employees from our communities to serve our members' needs. In 2017, we created 89 new jobs, and employed 812 at year's end.

Last year, we also achieved positive financial growth, ending 2017 with $3.85 billion in assets and $397,816,441 in members' equity. The Credit Union remains well capitalized, with net worth at 10.69% — well above the NCUA's requirement of 7%.

One of the Credit Union's core values is giving back to the community. When we support local organizations through philanthropy and volunteerism, our communities thrive and become places where we are all proud to live and work. In 2017, the Credit Union continued its commitment to the community through 689 financial education events, 3,228 volunteer hours, and $170,267 in employee donations. The Credit Union also announced support for several community programs including Lansing Promise, Ele's Place, Oakland University's Study Abroad Scholarship, Broad Art Museum at MSU, Science Gallery Detroit, and many others. These programs provide access to arts and culture, educational programs, stable housing, and social services. They also create a community where everyone can achieve their dreams.

Thank you for being a member of the Credit Union and for trusting us as your financial partner. We look forward to another 80 years of continued growth and outstanding service to our members.

Sincerely,

April M Clobes

April M. Clobes

BOARD OF DIRECTORS

BACK ROW, FROM LEFT
Bill Latta
Jack Brick
Bill Beekman, Chair

FRONT ROW, FROM LEFT
Gregory Deppong, Treasurer
Michael Hudson
Janet Lillie
Sue Carter
Angela Brown, Vice Chair

Not pictured
Ernest Betts, Secretary

EXECUTIVE TEAM

FROM LEFT
Silvia Dimma, Chief Human Resources Officer**; Jim Hunsanger,** Chief Risk Officer; **Whitney Anderson-Harrell,** Chief Community Development Officer; **Sara Dolan,** Chief Financial Officer; **April Clobes,** President/Chief Executive Officer; **Deidre Davis,** Chief Marketing Officer; **Samantha Amburgey,** Chief Information Officer; **Jeff Jackson,** Chief Lending Officer; **Lea Ammerman,** Executive Vice President of Member Services

ACHIEVING DREAMS TOGETHER

Our mission is to help our members achieve financial security and their dreams. Living our mission each and every day, MSUFCU educates members about interest rates and how they can save money by refinancing high-rate loans held at other financial institutions. After refinancing with MSUFCU, members can use that extra money to pay off other debt, build up their savings, or make purchases they may not have been able to make otherwise.

WE'VE SAVED OUR MEMBERS MORE THAN $52,000,000 IN INTEREST SINCE 2013.

IN 2017, WE SAVED MEMBERS

$12,851,466

IN INTEREST BY REFINANCING THEIR HIGH-RATE LOANS FROM OTHER FINANCIAL INSTITUTIONS TO MSUFCU AT LOWER RATES.

PROVIDING SUPERIOR SERVICE

ATM TRANSACTIONS
3,953,486

COMPUTERLINE LOGINS
9,382,386

MOBILE APP DOWNLOADS
38,799

BRANCH TRANSACTIONS
5,465,267

eDEPOSITS
817,888

MOBILE APP LOGINS
16,898,790

CALL CENTER CALLS
629,410

eMESSAGES & LIVE CHATS
249,510

TOTAL TRANSACTIONS
37,880,010

MEMBER FEEDBACK

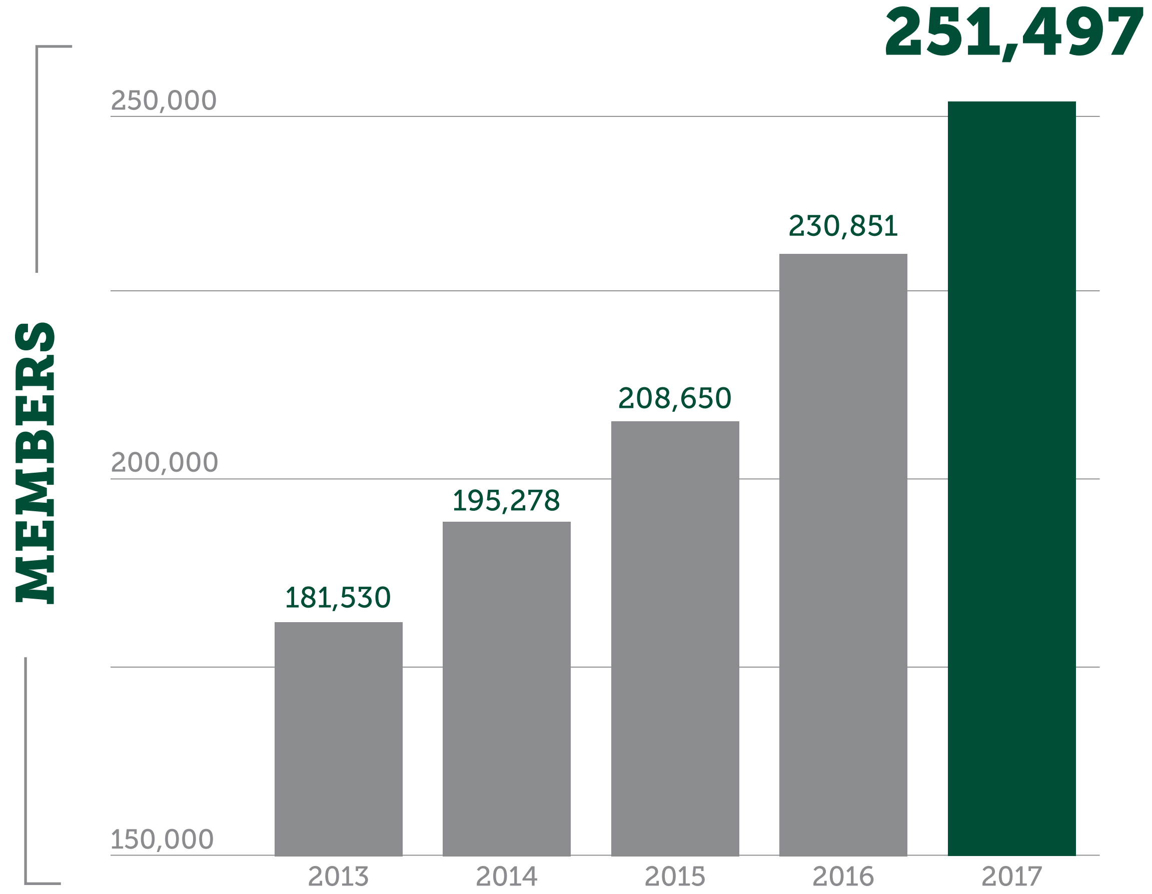
"I have rarely taken the time to review a company or credit union in the past. However, after what I went through this morning, I just wanted to get somewhere public and say that I absolutely LOVE this credit union! I opened a checking account while I was an undergrad and have continued using MSUFCU as my primary financial institution since living in the (Washington) D.C. metro area for almost five years. — **Sarah**"

"We have our auto loans, savings, Visa card, and now, we're opening up a checking account with MSUFCU. Why? Because we love this credit union! They're so nice... We have been with a bank for 15+ years, but are switching our checking to MSUFCU. — **Kathy**"

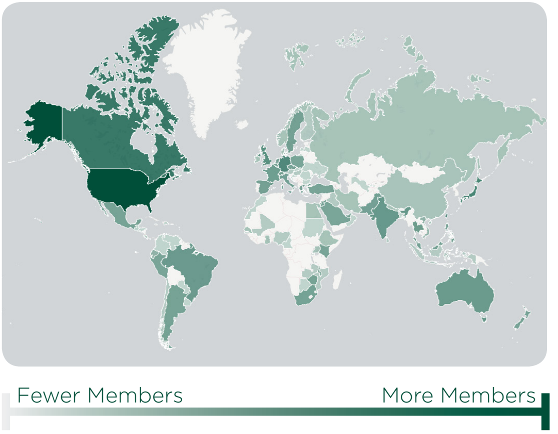
"I cannot say enough good things about MSUFCU. They have excellent member service! Every time I have a question or an issue with my account, they are helpful and informative. I have refinanced a car loan through them twice now and each time they went over all the options with me, including ones I hadn't known about, to make sure I was getting a good deal. Love these guys. — **Adrianne**"

MEMBERSHIP GROWTH

MSUFCU experienced another year of tremendous membership growth in 2017, as we welcomed **21,177 new members**. The Credit Union's membership **increased 8.9%** from year-end 2016 to year-end 2017, and has grown an average of 8.2% annually over the past five years. With more than 30,000 members living outside Michigan, we continue to receive positive feedback regarding our superior service and convenient account access — including our enhanced mobile app, ComputerLine, extended Call Center hours, eDeposit, online Live Chat, surcharge-free CO-OP Network ATMs, growing branch network, and much more.



SERVING MEMBERS
WORLDWIDE

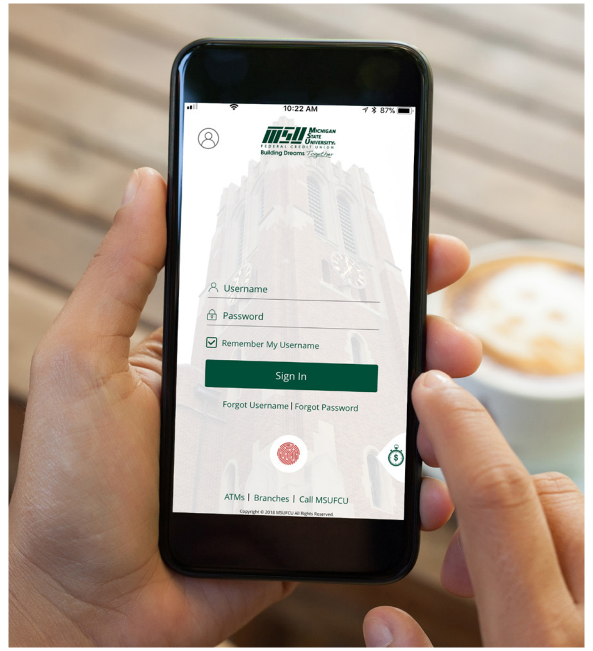


WE HAVE MEMBERS IN
50 STATES +
114 COUNTRIES!

EMPLOYEE GROWTH

CREATED	HIRED	EMPLOYED
89	**202**	**812**
JOBS	NEW EMPLOYEES	PEOPLE

NEW PRODUCTS + SERVICES



Mobile App 3.0

The app provides members with an enhanced and seamless experience in personalizing and managing their finances on the go, as well as opportunities to learn about community events and the many other benefits of membership.

Dream Racer Youth App

In this racing game, youth members can become racecar drivers who earn money by racing cars and placing within a certain rank. As drivers earn money, they can upgrade and personalize their cars. But similar to the real world, they have bills to pay, such as insurance, car repairs, and loan payments. Players can earn money through races, and sponsorships for their monthly bills, which increases understanding of important financial concepts.

Business Cash Back Visa Credit Card

Now, our business members can carry the card that rewards them with 1% cash back on all business purchases. The Business Cash Back Visa Credit Card is chip-protected, has no application or annual fees, and provides worldwide access.

MEA Visa Credit Card

In late 2016, Michigan Education Association (MEA) became one of MSUFCU's Select Employee Groups, creating membership eligibility for its education professionals throughout Michigan. The partnership continued to grow in 2017 with the launch of our MEA Visa Platinum Plus and Platinum Credit Cards.

eSignature via DocuSign

The Credit Union is excited to partner with DocuSign to offer electronic signature options to members for a variety of documents and agreements. By offering this digital signature service, members are able to access, sign, and send documents electronically in minutes, rather than waiting to receive paper documents. This service is safe, secure, and allows us to provide fast and efficient service to our members.

1855 Place ATM Kiosk

1855 Place is a new apartment and business complex on MSU's campus, where MSUFCU has a space with an ATM and iPad for members to access their accounts, and where visitors can learn more about the Credit Union.

GRAND OPENINGS

2017 was an exciting year for expansion at MSUFCU. We opened a second building on our headquarters campus in East Lansing, as well as our 18th branch. These are part of the Credit Union's long-term growth strategy to meet the demands of our growing membership and create jobs in our local economy. Additionally, we celebrated the renovations made to our MSU Union, Sparrow, and Downtown Lansing branches. Remodeling these branches supports our commitment to continuously enhance the member experience.

Headquarters Building 2

Grand Opening: October 1, 2017

We celebrated the Grand Opening of the second building on our headquarters campus on October 1, 2017. The 186,350-square-foot building has three floors and a lower level. It is now home to more than 260 employees working in our internal support departments, including Call Center, eServices, Information Technology, Member Technical Support, and Specialty Accounts.

Monroe Center Branch in Grand Rapids

Grand Opening: October 11, 2017

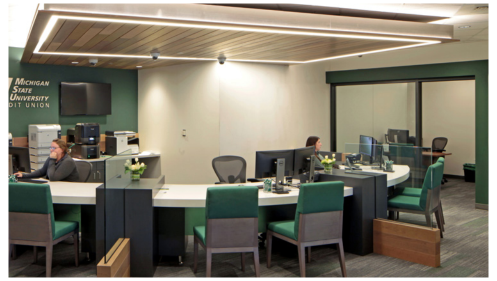
Located at 86 Monroe Center St. NW., we opened our first branch in Grand Rapids in the fall of 2017. The Grand Rapids branch provides us the opportunity to better serve the nearly 5,000 members living within 10 miles of this location, as well as offer services to many potential members. Members had been asking for a branch in Grand Rapids and we are proud to fulfill our mission of making their dreams come true.

BRANCH RENOVATIONS

MSUFCU renovated three Lansing-area branches, introducing a new layout. With the new design, members are invited to one-on-one stations at which they can conduct all of their business and have their questions answered by one Financial Services Representative rather than several employees. The open layout provides the same features as our other branches, including the ability to print cards, conduct account transactions, complete loan applications, and more.

MSU Union Branch

Grand Re-Opening: March 15, 2017



Sparrow Branch

Re-Opened: April 24, 2017

Downtown Lansing Branch

Grand Re-Opening: May 30, 2017

OU CREDIT UNION

1,735
NEW OU CREDIT UNION MEMBERS

744
OU CREDIT UNION VISA CREDIT CARDS OPENED

795
NEW OAKLAND UNIVERSITY STUDENT MEMBERS

2,405
NEW OU CREDIT UNION MOBILE APP DOWNLOADS

53
FINANCIAL EDUCATION EVENTS ON OU'S CAMPUS + IN THE BRANDON SCHOOL DISTRICT

1,389
OAKLAND UNIVERSITY PAYCARDS OPENED

Our partnership with Oakland University (OU) began in the 1950s. In 2013, we created the trade name Oakland University Credit Union. Since our affiliation began, we have become the official financial services partner of Oakland University and continue to strengthen our partnership by offering OU Visa Debit and Credit Card designs, an OU Credit Union mobile app, a campus branch, multiple ATMs both on and off campus, and most recently, OU PayCards.

INTRODUCING OAKLAND UNIVERSITY PAYCARDS

Similar to our MSU and Quality Dairy PayCards launched in 2015, OU employees now have a safe, convenient, and free way to access their paychecks. PayCards are like debit cards. By setting up direct deposit to a PayCard, university employees are able to make purchases wherever Visa is accepted and withdraw funds from ATMs.

AWARD-WINNING TEAM

MSUFCU has a national reputation for excellence and has received several top industry and workplace awards. In 2017, MSUFCU won Outstanding Credit Union of the Year, and you may have seen employees wearing "outstanding" shirts to celebrate. Additionally, MSUFCU was named a Top Workplace in the large employer category by the Detroit Free Press for the sixth year in a row. MSUFCU has also been nationally recognized for its financial education initiatives, ranking first in Michigan and second in the nation for the 2017 Alphonse Desjardins Adult Financial Education award presented by the Credit Union National Association.

2017 RECOGNITION

BEST AND BRIGHTEST COMPANIES TO WORK FOR®

WEST MICHIGAN'S 101 BEST AND BRIGHTEST COMPANIES TO WORK FOR®
WEST MICHIGAN'S ELITE WINNER: LARGE BUSINESS "BEST OF THE BEST" AWARD
MICHIGAN'S BEST AND BRIGHTEST IN WELLNESS
NATIONAL BEST AND BRIGHTEST IN WELLNESS

CAPITAL AREA UNITED WAY

COMPANY VOLUNTEERISM OF THE YEAR

CREDIT UNION JOURNAL

BEST CREDIT UNIONS TO WORK FOR

CREDIT UNION NATIONAL ASSOCATION

ALPHONSE DESJARDINS ADULT FINANCIAL EDUCATION AWARD
ALPHONSE DESJARDINS YOUTH FINANCIAL EDUCATION AWARD
HR + ORGANIZATIONAL DEVELOPMENT COUNCIL'S EMPLOYEE ENGAGEMENT AWARD

CORP! MAGAZINE

MICHIGAN ECONOMIC BRIGHT SPOT CREDIT UNION

DETROIT FREE PRESS

TOP WORKPLACES: #5 IN LARGE EMPLOYER CATEGORY

GREAT PLACE TO WORK

BEST WORKPLACES FOR WOMEN
GREAT PLACE TO WORK CERTIFIED

MICHIGAN CREDIT UNION LEAGUE

OUTSTANDING CREDIT UNION OF THE YEAR

COMMUNITY IMPACT

The Credit Union embraces its role as a community leader and supports local organizations in many ways. Through sponsorships and partnerships, employees attend, volunteer, and work at various charitable and community events. From Michigan State University (MSU) and Oakland University (OU), to greater Lansing, metro Detroit, and Grand Rapids, employees find many unique ways to donate their time and talents to local causes. Whether they are volunteering at a local soup kitchen, taking care of animals at a shelter, or teaching children the importance of responsible money management, our employees are dedicated to our core value of giving back to the community.

On September 8, 2017, MSUFCU announced a **$5.5 million donation to MSU** to support 10 university programs over five years. The donation will support: Broad Art Museum, College of Arts and Letters, College of Business, College of Communications Arts and Sciences, College of Music, College of Social Science, Residential College in Arts and Humanities, Science Gallery, Wharton Center, and WKAR. With this donation, the university will continue to enhance the services and education it provides to students and offer arts and cultural enrichment for faculty, staff, and community members. In support of this donation, we launched a new Community Impact web page — msufcu.org/communityimpact — illustrating our commitment to giving back and building stronger communities.

On December 11, 2017, OU Credit Union, a trade name of MSUFCU, announced a **$1 million donation to OU** over the next five years, supporting students who participate in study abroad and international education. This donation will offer more opportunities for students looking to enrich their academic, professional, and personal experiences with global perspectives.

Throughout November 2017, MSUFCU held a unique promotion, **It All Adds Up**, in support of Children's Grief Awareness Month. We donated a penny to Ele's Place every time a Credit Union member used his or her MSUFCU credit or debit card. In total, MSUFCU donated **$4,990.01 to Ele's Place**, a healing center that provides support for grieving children. Through this promotion, members opted in to participate through their online accounts in MSUFCU's Mobile app or ComputerLine, the Credit Union's online account management service.

Our donations, which equate $9.73 per member, have helped plant trees for a greener community, provide therapy for child victims of abuse, build homes for those in need, support families with life-threatening illnesses, and so much more. Together, we are building dreams and supporting positive change in our communities.

FINANCIAL EDUCATION

WE EDUCATED 15,602 PEOPLE AT 689 EVENTS

MSUFCU hosts various financial education events on campus and throughout our communities. From understanding basic savings skills at five years old to learning the ins and outs for first-time homebuyers, MSUFCU's financial experts help our community members achieve financial success — at any stage of life.

EMPLOYEES GIVING BACK

EMPLOYEES RAISED

$170,267 & 3,228

FOR OUR FIVE CHARITY PARTNERS

VOLUNTEERED

HOURS

COMMUNITY INVOLVEMENT

Blue Mondays

MSU College of Music

As part of the MSU Federal Credit Union Jazz Artist in Residence Endowment, this jazz concert series brings world-renowned jazz musicians to our headquarters throughout the year. Partnering with the MSU College of Music, more than 890 community members attended the 2017 series including musical performances by drummer Harvey Mason, pianist Helen Sung, and saxophonist Steve Wilson.

Weekend Survival Kits

Many Hands

Throughout the school year, Many Hands hosts various "Weekend Survival Kit" packing sessions. Many employees volunteered at packing sessions to fill kits that provide food to local children who may otherwise go hungry on the weekends.

Dog Walking

Capital Area Humane Society

Furry friends from the Capital Area Humane Society visited MSUFCU's headquarters campus many times for walks with employees. Employees could donate $3 for each 15-minute walk with an adoptable dog. This activity allowed employees and the pups to exercise while supporting a charitable cause!

PAY IT FORWARD — 80 YEARS. 80 HOURS.

For the fifth year, the Credit Union dedicated the week of its anniversary, November 12-18, 2017, to paying it forward to the community. In celebration of our 80th anniversary, employees were encouraged to help meet a volunteer goal of 80 hours throughout the week. More than 90 employees volunteered for various local organizations, helping surpass the 80-hour goal by 130 hours for a total of 210 hours of volunteering. In addition to volunteering, employees went out into the community on behalf of the Credit Union to pay for individuals' coffees, movie and museum tickets, bowling, and more at businesses like Biggby, AMC Star Great Lakes 25, Bloom Coffee, Spare Time Entertainment, and more.

2017 MSUFCU COMMITTEES

ASSET LIABILITY MANAGEMENT COMMITTEE MEMBERS

The Asset Liability Management Committee (ALCO) monitors the Credit Union's interest rate risk, liquidity position, investment portfolio, and key ratios. ALCO also analyzes new products, pricing strategies, and the impact of changing interest rates on MSUFCU's financial and competitive position.

Jack Brick, Co-chair, Board Liaison
Angela Brown, Board Liaison
Thomas Cooper
Gregory Deppong, Board Liaison
Antonio Doblas-Madrid
Nancy Hollis
Robert Patterson
Jeff Williams

MSUFCU Leadership Team
April Clobes
Sara Dolan, Co-chair
Jim Hunsanger
Robert Johnson

SUPERVISORY COMMITTEE MEMBERS

The Supervisory Committee protects our membership by enforcing bylaws, overseeing internal and external audits, and hiring external financial statement auditors. Doing so, they review information far beyond established federal regulations.

Sarah Blanck
Steve Kurncz
Elizabeth Lawrence
Janet Lillie, Board Liaison
Francisco Villarruel
Kristine Zayko, Chair

MSUFCU Leadership Team
April Clobes
Robert Johnson

2017 AMBASSADORS

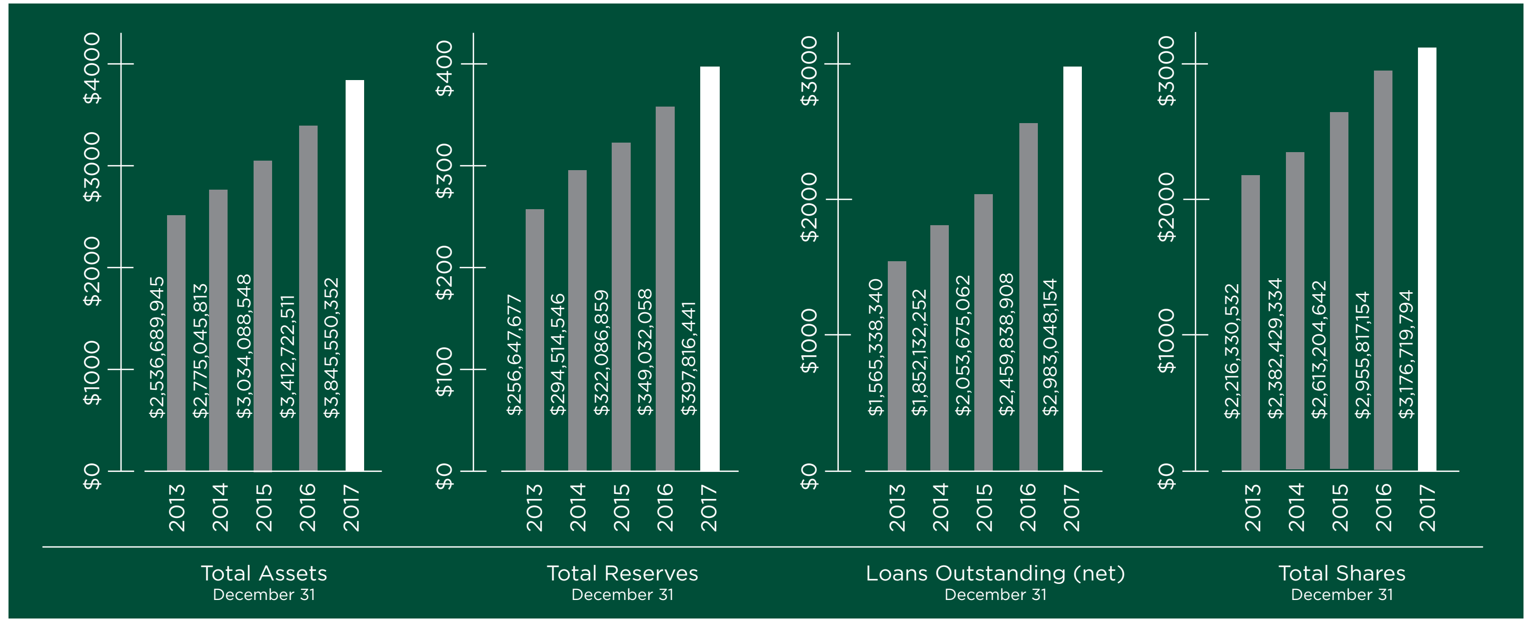
MICHIGAN STATE UNIVERSITY AMBASSADORS

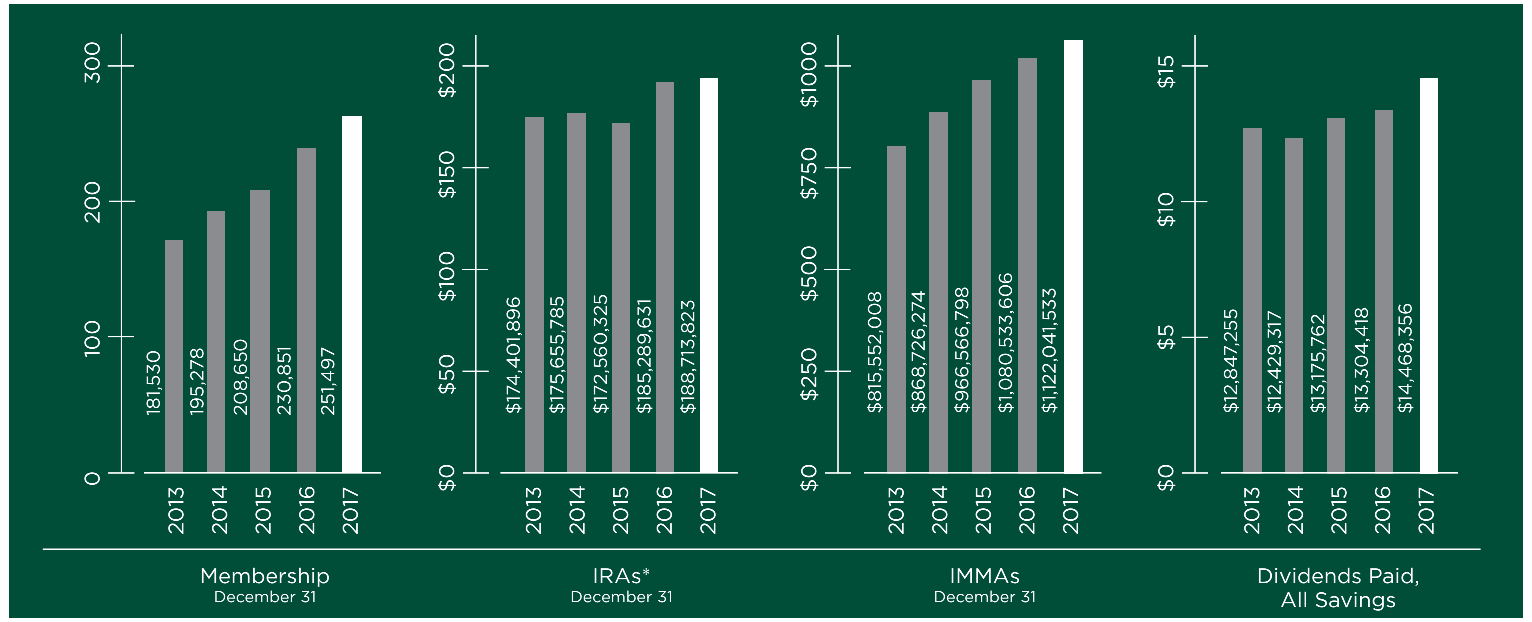
Kim Allan
Kim Arthur
Elaine Bailey
Diane Barker
Audree Baxter
Bill Beekman
Bridget Behe
Ernest Betts
Cherie Booms
Jack Brick
Jeff Brodie
Angela Brown
Blair Bullard
Trace Camacho
Terry Cannon
Christine Carter
Sue Carter
Stella Cash
Zachary Constan
Kat Cooper
Douglas Cron
Carmellia Davis-King
Kathleen Deneau
Ken Deneau
Sue Depoorter
Gregory Deppong
Lynne Devereaux
Lisa Dunlap
Jodee Fortino
Natisha Foster
Karen Grannemann
Marilee Griffith
Jodi Hancock
Rosemarie Harman
Mary Lou Heberlein
Paul Heberlein
Lisa Hinds
Charles Hornburg
Angela Howard-Montie
Cheryl Howell
Michael Hudson
Laurie Huntley
Darlene Johnson
Erin Johnson
Ed Karazim
Fred Kayne
Sally Keisling
Darrell King
Michael Kolar
Denni Kraft
Bill Latta
Rhonda Lienhart
Janet Lillie
Angela Matlock
Dean Matsudo
Denise Maybank
Chandos McCoy
Matt McKune
June Messner
Robert Meyer
Kathleen Mills
Carol Noud
Melony Peabody
Karyn Pearl
Debbie Powell
Marilyn Powell
Marcia Ratliff
Sonya Ribnicky
John Roberts
Judith Salminen
Angelica Santos
Mary Schwalm
Lori Senecal
Nina Silbergleit
Cristine Stock
Lori Strom
Laurel Switzenberg
Paula Terzian
Bob Thomas
Victoria Tryban
Marsha Walsh
Susan Waltersdorf
S. Faye Watson
Jeff Williams
Keith Williams
Nancy Yeadon

OAKLAND UNIVERSITY AMBASSADORS

David Archbold
Dawn Aubry
Scott Barns
Nancy Barton-Kenney
Lorna Bearup
David Birkholz
Charles Brown
Sheila Carpenter
Virginia Cloutier
Eric Condic
Ann Dunlop
Pieter Frick
Sandy Gabert
Kitty Gentile
Frank Giblin
Geraldine Graham
Cora Hanson
Robert Hanson
Susan Hartman
Greg Jordan
Ellen Keaton
Sandy Kern
Bonnie Koch
Kelly Lenda
Julie McCarrel
Barbara McDowell
Deborah Middlebrook
Jean Ann Miller
George Preisinger
Katherine Rowley
Laura Schartman
Val Schnable
Maura Selahowski
Leigh Settlemoir Dzwik
Steven Shablin
Tammye Stoves
Linda Switzer
Mohan Tanniru
Ronald Tracy
Chris Turkopp
Geoffrey Upward
David Vartanian
Tricia Westergaard
Hazen Wilcox

2017 STATEMENT OF FINANCIAL CONDITION





*IRAs consist of IMMAs and Share Certificates

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Michigan State University Federal Credit Union

We have audited the accompanying financial statements of Michigan State University Federal Credit Union (the “Credit Union”), which comprise the statement of financial condition as of December 31, 2017 and 2016 and the related statements of income and comprehensive income, members’ equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Michigan State University Federal Credit Union as of December 31, 2017 and 2016 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ Plante & Moran, PLLC

Plante & Moran, PLLC
February 9, 2018

STATEMENT OF FINANCIAL CONDITION

	AT YEAR END December 31, 2017	December 31, 2016
ASSETS		
Cash and cash equivalents	$ 101,171,651	$ 144,615,280
Time deposits with other financial institutions	91,890,877	62,946,446
Investment Securities - Available for sale (Note 3)	422,336,822	528,416,707
Other investments	11,244,300	8,652,900
Loans to members - Net (Note 4)	2,983,048,154	2,459,838,908
Premises and equipment - Net (Note 5)	139,465,075	120,178,462
Goodwill (Note 14)	7,836,819	8,092,321
Business-owned life insurance	42,272,528	34,781,925
NCUSIF deposit	28,466,825	25,783,173
Other assets	17,817,301	19,416,389
Total assets	**$3,845,550,352**	**$ 3,412,722,511**
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' share and savings accounts (Note 6)	$ 3,176,719,794	$ 2,955,817,154
Borrowings (Note 7)	210,000,000	50,000,000
Postretirement benefit obligations (Note 9)	25,237,248	28,155,083
Accrued expenses and other liabilities	35,776,869	29,718,216
Total liabilities	3,447,733,911	3,063,690,453
Members' equity	397,816,441	349,032,058
Total liabilities and members' equity	**$3,845,550,352**	**$ 3,412,722,511**

See notes to financial statements.

STATEMENT OF INCOME AND COMPREHENSIVE INCOME

	YEARS ENDED December 31, 2017	December 31, 2016
Interest income		
Loans - Including fees	$ 129,357,363	$ 111,007,276
Investment securities	9,204,113	9,424,667
Interest-bearing balances with other financial institutions	369,783	269,197
Total interest income	138,931,259	120,701,140
Interest expense		
Members' share and savings accounts	14,468,356	13,304,418
Borrowings	2,603,268	1,681,921
Total interest expense	17,071,624	14,986,339
NET INTEREST INCOME	121,859,635	105,714,801
Provision for loan losses (Note 4)	13,063,469	12,643,378
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	108,796,166	93,071,423
Noninterest income		
Fees and charges	16,693,543	14,500,459
VISA interchange	22,278,463	19,756,388
Other	3,028,658	3,133,973
Total noninterest income	42,000,664	37,390,820
Noninterest expense		
Salaries and employee benefits	55,096,068	48,213,034
Occupancy	9,104,343	7,315,195
Operating expenses	41,243,132	41,259,500
Other	1,915,599	2,172,631
Total noninterest expense	107,359,142	98,960,360
NET INCOME	**$ 43,437,688**	**$ 31,501,883**

See notes to financial statements.

STATEMENT OF INCOME AND COMPREHENSIVE INCOME

	YEARS ENDED December 31, 2017	December 31, 2016
NET INCOME	**$ 43,437,688**	**$ 31,501,883**
OTHER COMPREHENSIVE (LOSS) INCOME		
Unrealized loss on securities:		
Arising during the year	(83,823)	(369,506)
Reclassification adjustment	(24,264)	(248,886)
Total unrealized loss on securities	(108,087)	(618,392)
Postretirement benefit plan:		
Net gain (loss) arising during the year	4,698,702	(4,409,304)
Reclassification adjustment - Net actuarial loss	756,080	471,012
Total postretirement benefit plan	5,454,782	(3,938,292)
Total other comprehensive income (loss)	5,346,695	(4,556,684)
COMPREHENSIVE INCOME	**$ 48,784,383**	**$ 26,945,199**

See notes to financial statements.

STATEMENT OF MEMBERS' EQUITY

	REGULAR RESERVE	EQUITY ACQUIRED IN MERGERS	UNDIVIDED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL
BALANCE — JANUARY 1, 2016	$17,980,012	$3,825,906	$314,530,093	$(14,249,152)	$322,086,859
Comprehensive Income:					
Net income	-	-	31,501,883	-	31,501,883
Unrealized loss on securities	-	-	-	(618,392)	(618,392)
Postretirement benefit plan	-	-	-	(3,938,292)	(3,938,292)
BALANCE — DECEMBER 31, 2016	17,980,012	3,825,906	346,031,976	(18,805,836)	349,032,058
Comprehensive Income:					
Net income	-	-	43,437,688	-	43,437,688
Unrealized loss on securities	-	-	-	(108,087)	(108,087)
Postretirement benefit plan	-	-	-	5,454,782	5,454,782
BALANCE — DECEMBER 31, 2017	**$17,980,012**	**$3,825,906**	**$389,469,664**	**$(13,459,141)**	**$397,816,441**

See notes to financial statements.

STATEMENT OF CASH FLOWS

	YEARS ENDED December 31, 2017	December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$43,437,688	$31,501,883
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	9,741,709	8,804,703
Provision for loan losses	13,063,469	12,643,378
Net amortization of securities	1,749,949	3,287,764
Net gain on sale of available-for-sale securities	(24,264)	(248,886)
Loss on sale of premises and equipment	8,516	42,669
Earnings on business-owned life insurance	(1,146,371)	(987,592)
Actuarial loss on postretirement benefit liability	2,542,572	1,929,828
Net change in:		
Other assets	1,598,967	3,082,440
Accrued expenses and other liabilities	6,058,653	8,208,130
Net cash provided by operating activities	**77,030,888**	**68,264,317**
CASH FLOWS FROM INVESTING ACTIVITIES		
Activity in available-for-sale securities:		
Sales	11,950,791	19,638,810
Maturities, prepayments, and calls	176,754,378	166,006,389
Purchases	(84,459,489)	(119,394,339)
Activity in other investments:		
Proceeds and redemptions	-	104,327
Purchases	(2,591,400)	-
Net change in loans	(536,272,715)	(393,462,669)
Proceeds from the sale of premises and equipment	-	4,948,226
Additions to premises and equipment	(29,036,838)	(28,520,135)
Proceeds from time deposits with other institutions	31,306,000	46,656,079
Purchases of time deposits with other institutions	(60,000,000)	(60,000,000)
Increase in NCUSIF deposit	(2,683,652)	(1,979,928)
Proceeds from the surrender of business-owned life insurance	-	967,851
Purchases of business-owned life insurance	(6,344,232)	(44,470)
Net cash received from merger	-	9,524,779
Net cash used in investing activities	**$ (501,377,157)**	**$ (355,555,080)**

See notes to financial statements.

STATEMENT OF CASH FLOWS (Continued)

	YEARS ENDED December 31, 2017	December 31, 2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in members' shares	$ 220,902,640	$ 284,180,933
Proceeds from issuance of Federal Home Loan Bank advances	384,100,000	-
Repayment of Federal Home Loan Bank advances	(224,100,000)	(5,000,000)
Net cash provided by financing activities	**380,902,640**	**279,180,933**
NET DECREASE IN CASH AND CASH EQUIVALENTS	(43,443,629)	(8,109,830)
Cash and Cash Equivalents - Beginning of year	144,615,280	152,725,110
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 101,171,651**	**$ 144,615,280**
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for - Interest	$16,943,827	$14,997,743
Transfers from loans to other real estate owned	552,112	2,097,366
Transfers of other real estate owned to loans	-	91,200

See notes to financial statements.

NOTE 1 - Nature of Business

Michigan State University Federal Credit Union (the "Credit Union") is a federally chartered credit union regulated by the National Credit Union Administration and insured by the National Credit Union Share Insurance Fund. The Credit Union operates branches in the metropolitan Lansing, Detroit, and Grand Rapids areas.

The Credit Union grants consumer loans (including credit card loans), various types of mortgage loans, and business loans to its members. The Credit Union's primary field of membership includes students, alumni, and employees of Michigan State University and Oakland University. Oakland University is served under the registered trade name Oakland University Credit Union. The majority of member loans are secured by collateral, including, but not limited to, members' shares, vehicles, real estate, and other consumer assets. Deposit services include interest-bearing and noninterest-bearing checking accounts, savings accounts, money market accounts, certificates, and IRAs. Other services include mobile applications and computer and telephone transactions as well as automated teller machines.

NOTE 2 - Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand, funds on deposit with other financial institutions, federal funds sold, and interest-bearing deposits with other financial institutions with original maturities of 90 days or less. Net cash flows are reported for member loan and share accounts.

Time Deposits with Other Financial Institutions

Time deposits with other financial institutions consist of nonmembership capital deposits with corporate credit unions with contractual maturities of seven years or less.

Securities

Securities are classified as available for sale when they might be sold before maturity. Securities classified as available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income and as a separate component of members' equity. Interest income includes amortization or accretion of purchase premium or discount. Premiums and discounts on securities are amortized or accreted on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Declines in the fair value of securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Other Investments

The Credit Union, as a member of the Federal Home Loan Bank (FHLB) of Indianapolis, is required to maintain an investment in the capital stock of the FHLB. The Credit Union held $10,125,000 and $7,563,600 of FHLB capital stock at December 31, 2017 and 2016, respectively. The stock is redeemable at par by the FHLB and is therefore carried at cost and periodically evaluated for impairment. The Credit Union records cash and stock dividends in interest income - investment securities on the statement of income and comprehensive income.

Other investments also include the Credit Union's investment in Alloya Corporate Credit Union's (Alloya) permanent capital base, which is required to be maintained for full participation as a member of Alloya. The deposit was $1,069,300 as of December 31, 2017 and 2016. The deposit is not insured by the NCUSIF. Interest on the deposit is paid quarterly based on available earnings at interest rates approved by Alloya's board of directors. In the event a member credit union withdraws from Alloya, the deposit would be repaid in one installment three years after notice of withdrawal is given.

Loans

The Credit Union grants mortgage, commercial, and consumer loans to members. A substantial portion of the loan portfolio is represented by mortgage loans throughout the metropolitan Lansing, Detroit, and Grand Rapids areas. The ability of the Credit Union's debtors to honor their contracts is dependent upon the real estate and general economic conditions in these areas.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct

NOTE 2 - Significant Accounting Policies (Continued)

origination costs, are deferred and recognized as an adjustment of the related loan's yield using the interest method.

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in process of collection. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. Any interest payments received on nonaccrual loans are accounted for as a reduction to the unpaid principal balance of the nonaccrual loan for financial reporting purposes. If a loan is returned to accrual, the interest payments previously received continue to be reported as a reduction of the unpaid principal balance until the loan is paid off, at which time the interest payments are recognized in interest income.

Allowance for Loan Losses

The allowance for loan losses (the "allowance") is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of both specific and general reserve components. The specific component relates to loans that are classified as impaired. A specific allowance is established for impaired loans when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers nonimpaired loans and is based on historical loss experience adjusted for qualitative factors.

A loan is considered impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower including length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogenous loans are collectively evaluated for impairment. Accordingly, the Credit Union does not separately identify individual consumer and mortgage loans for impairment disclosures unless the loan is a troubled debt restructuring.

A troubled debt restructuring of a loan is undertaken to improve the likelihood that the loan will be repaid in full under the modified terms in accordance with a reasonable repayment schedule and is classified as impaired. All modified loans are evaluated to determine whether the loan should be reported as a troubled debt restructuring (TDR). A loan is a TDR when the Credit Union, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower by modifying or renewing a loan under terms that the Credit Union would not otherwise consider. To make this determination, the Credit Union must determine whether (a) the borrower is experiencing financial difficulties and (b) the Credit Union granted the borrower a concession. This determination requires consideration of all of the facts and circumstances surrounding the modification. An overall general decline in the economy or some level of deterioration in a borrower's financial condition does not inherently mean the borrower is experiencing financial difficulties.

Some of the factors considered by management when determining whether a borrower is experiencing financial difficulties are: (1) is the borrower currently in default on any of its debts, (2) has the borrower declared or is the borrower in the process of declaring bankruptcy, and (3) absent the current modification, the borrower would likely default.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and initially recorded at the fair value of the real estate, less estimated costs to sell, through a charge to the allowance for loan losses, if necessary. Subsequent to foreclosure, valuations are periodically performed by management and

NOTE 2 - Significant Accounting Policies (Continued)

earnings through a valuation allowance and reported in other noninterest expenses. The carrying value of foreclosed assets, included in other assets on the statement of financial condition, was $186,981 and $842,209 as of December 31, 2017 and 2016, respectively.

Premises and Equipment
Land and land improvements are carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation, computed on the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the shorter of the lease term or the life of the leasehold improvements.

Goodwill
The recorded amounts of goodwill from prior business combinations are based on management's best estimates of the fair values of assets acquired and liabilities assumed at the date of acquisition. Goodwill is not amortized, but rather is assessed at least on an annual basis for impairment.
No impairment charge was recognized during the years ended December 31, 2017 and 2016.

Business-owned Life Insurance
The Credit Union has purchased life insurance policies on certain key officers. Business-owned life insurance is recorded at its cash surrender value or the amount that can be realized upon immediate liquidation.

NCUSIF Deposit
The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with the NCUA regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to 1 percent of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA board.

Members' Share and Savings Accounts
Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' share accounts is based on the available earnings at the end of an interest period and is not guaranteed by the Credit Union. Interest rates on members' share accounts are set by management and approved by the board of directors based on an evaluation of current and future market conditions.

Members' Equity
The Credit Union is required by regulation to maintain a statutory reserve. This reserve, which represents a regulatory restriction of retained earnings, is not available for the payment of interest.

Income Taxes
The Credit Union is exempt, by statute, from federal and state income taxes.

Other Comprehensive Income
Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, however, such as unrealized gains and losses on available-for-sale securities and amounts recognized related to postretirement benefit plans (gains and losses, prior service costs, and transition assets or obligations), are reported as a direct adjustment to the equity section of the statement of financial condition. Such items, along with net income, are considered components of comprehensive income.

Loan Commitments and Related Financial Instruments
Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and business letters of credit, issued to meet member financing needs. The face amount for these items represents the exposure to loss before considering member collateral or ability to repay. Such financial instruments are recorded when they are funded.

Loss Contingencies
Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are such matters that will have a material effect on the financial statements at December 31, 2017 and 2016.

Upcoming Accounting Pronouncements
In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition.* The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Credit Union's year ending December 31, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Credit Union has not yet determined which application method it will use. The Credit

NOTE 2 - Significant Accounting Policies (Continued)

Union is in the process of evaluating the impact of the new standard on the financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities.* The ASU covers various changes to the accounting, measurement, and disclosures related to certain financial instruments, including requiring equity investments to be accounted for at fair value with changes recorded through earnings, the use of the exit price when measuring fair value, and disaggregation of financial assets and liabilities by category for disclosure purposes. The new guidance will be effective for the Credit Union's year ending December 31, 2019. Early adoption is permitted as early as periods ending after December 31, 2017 with some additional options for early application such as the elimination of the requirement for nonpublic business entities to disclose the methods and significant assumptions used to estimate the disclosed fair value of financial instruments. The Credit Union adopted the provision by which it eliminated the disclosure of fair value of its financial instruments in these financial statements. The Credit Union does not believe adopting the remaining provisions of ASU No. 2016-01 in the future will have a material impact on the financial statements. The Credit Union has not yet quantified the impact of the change.

In February 2016, the FASB issued ASU No. 2016-02, *Leases,* which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Credit Union's year ending December 31, 2020 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is not expected to have a significant effect on the Credit Union's financial statements as a result of the leases classified as operating leases. The effect of applying the new lease guidance on the financial statements has not yet been determined. The effects on the results of operations are not expected to be significant as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments.* The ASU includes increased disclosures and various changes to the accounting and measurement of financial assets including the Credit Union's loans and available-for-sale debt securities. Each financial asset presented on the balance sheet would have a unique allowance for credit losses valuation account that is deducted from the amortized cost basis to present the net carrying value at the amount expected to be collected on the financial asset. The amendments in this ASU also eliminate the probable initial recognition threshold in current GAAP and instead reflect an entity's current estimate of all expected credit losses using reasonable and supportable forecasts. The new credit loss guidance will be effective for the Credit Union's year ending December 31, 2021. Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of the first reporting period in which the guidance is effective. A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. Early adoption for all institutions is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Credit Union is still quantifying the impact of the new standard.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.* The standard simplifies the subsequent measurement of goodwill, requiring only a single-step quantitative test to identify and measure impairment based on the excess of a reporting unit's carrying amount over its fair value, instead of the current two-step test. A qualitative assessment may still be completed first to determine if a quantitative impairment test is required. This standard is effective on a prospective basis for fiscal years beginning after December 15, 2020. The Credit Union is still assessing the impact of the new standard on its financial statements.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* This standard requires the presentation of the service cost component of net benefit cost to be in the same line item as other compensation costs arising from services rendered by the pertinent employees during the period. All other components of net benefit cost should be presented separately from the service cost component and outside of income from operations. The standard is effective for fiscal years beginning after December 15, 2018 and must be adopted retrospectively. Adoption of the new standard is not expected to have a material impact on the Credit Union's financial statements.

Subsequent Events
The financial statements and related disclosures include evaluation of events up through and including February 9, 2018, which is the date the financial statements were available to be issued.

NOTE 3 - Investment Securities

The amortized cost and fair value of securities available for sale and gross unrealized gains and losses recognized in accumulated and other comprehensive loss at December 31 are as follows:

2017	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale:				
U.S. government and federal agency obligations	$242,859,610	$1,428	$(1,891,529)	$240,969,509
Mortgage-backed securities — Residential	186,096,016	1,252	(4,729,955)	181,367,313
Total	$428,955,626	$2,680	$(6,621,484)	$422,336,822
2016				
Available for Sale:				
U.S. government and federal agency obligations	$289,049,825	$252,686	$(819,345)	$288,483,166
Mortgage-backed securities — Residential	245,887,264	69,016	(6,022,739)	239,933,541
Total	$534,937,089	$321,702	$(6,842,084)	$528,416,707

At December 31, 2017 and 2016, securities with a carrying value of approximately $415,535,000 and $509,371,000, respectively, were pledged as collateral to secure borrowed funds and a security with a carrying value of approximately $5,000,000 was pledged to the discount window.

The contractual scheduled maturities of securities available for sale at December 31, 2017 are as follows:

	Amortized Cost	Fair Value
Due in one year or less	$ 99,163,332	$ 98,951,711
Due in one through five years	143,696,278	142,017,798
Mortgage-backed securities — Residential	186,096,016	181,367,313
Total	$428,955,626	$422,336,822

Proceeds from sales of investment securities were $11,950,791 and $19,638,810, gross realized gains were $24,264 and $248,886, and there were no gross realized losses for the years ended December 31, 2017 and 2016, respectively.

NOTE 3 - Investment Securities (Continued)

Information pertaining to investment securities with gross unrealized losses at December 31, 2017 and 2016, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows:

	LESS THAN 12 MONTHS		12 MONTHS OR GREATER	
2017	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
Available for sale:				
U.S. government obligations	$ (853,891)	$ 147,674,201	$ (1,037,638)	$88,301,164
Mortgage-backed securities - Residential	(582,608)	41,244,358	(4,147,347)	139,309,144
Total	$ (1,436,499)	$ 188,918,559	$ (5,184,985)	$ 227,610,308
2016				
Available for sale:				
U.S. government and federal agency obligations	$ (819,345)	$ 134,205,790	$ -	$ -
Mortgage-backed securities - Residential	(4,213,525)	173,877,886	(1,809,214)	46,298,182
Total	$ (5,032,870)	$308,083,676	$ (1,809,214)	$ 46,298,182

Unrealized losses on investment securities have not been recognized into income because the issuers' bonds are of high credit quality, the Credit Union has the intent and ability to hold the securities for the foreseeable future, and the declines in fair value are primarily due to increased market interest rates and market volatility. The fair values are expected to recover as the bonds approach their maturity dates. There are 94 and 73 investment securities in an unrealized loss position at December 31, 2017 and 2016, respectively.

NOTE 4 - Loans to Members

A summary of the balances of loans follows:

	2017	2016
Consumer	$ 1,554,505,447	$1,234,470,339
Residential real estate	1,285,403,302	1,123,342,354
Commercial	158,164,171	119,085,389
Total loans	2,998,072,920	2,476,898,082
Less allowance for loan losses	19,998,263	19,240,365
Plus net deferred loan costs	4,973,497	2,181,191
Net loans	$2,983,048,154	$2,459,838,908

In the ordinary course of business, the Credit Union has granted loans to executive officers, supervisory committee members, and directors and their affiliates amounting to approximately $2,721,000 and $2,746,000 as of December 31, 2017 and 2016, respectively.

The Credit Union's activity in the allowance for loan losses for the years ended December 31, 2017 and 2016, by loan segment, is summarized below:

Year Ended December 31, 2017

	Consumer	Mortgage	Business	Total
Beginning balance	$ 14,658,277	$ 2,246,629	$ 2,335,459	$ 19,240,365
Charge-offs	(14,105,130)	(285,690)	(243,184)	(14,634,004)
Recoveries	2,186,992	84,941	56,500	2,328,433
Provision	13,738,208	(1,193,330)	518,591	13,063,469
Ending balance	$ 16,478,347	$ 852,550	$ 2,667,366	$ 19,998,263
ENDING ALLOWANCE BALANCE ATTRIBUTABLE TO LOANS:				
Individually evaluated for impairment	$ -	$ 594,754	$ -	$ 594,754
Collectively evaluated for impairment	16,478,347	257,796	2,667,366	19,403,509
Ending allowance balance	$ 16,478,347	$ 852,550	$ 2,667,366	$ 19,998,263
LOANS:				
Individually evaluated for impairment	$ -	$ 6,557,171	$ -	$ 6,557,171
Collectively evaluated for impairment	1,554,505,447	1,278,846,131	158,164,171	2,991,515,749
Total loans	$ 1,554,505,447	$ 1,285,403,302	$ 158,164,171	$ 2,998,072,920

NOTE 4 - Loans to Members (Continued)

Year Ended December 31, 2016

	Consumer	Mortgage	Business	Total
Beginning balance	$ 12,527,553	$ 2,709,229	$ 1,845,833	$ 17,082,615
Charge-offs	(11,729,318)	(478,283)	(180,527)	(12,388,128)
Recoveries	1,823,916	78,584	-	1,902,500
Provision	12,036,126	(62,901)	670,153	12,643,378
Ending balance	$ 14,658,277	$ 2,246,629	$ 2,335,459	$ 19,240,365
ENDING ALLOWANCE BALANCE ATTRIBUTABLE TO LOANS:				
Individually evaluated for impairment	$ -	$ $946,594	$ -	$ 946,594
Collectively evaluated for impairment	14,658,277	1,300,035	2,335,459	18,293,771
Ending allowance balance	$ 14,658,277	$ 2,246,629	$ 2,335,459	$ 19,240,365
LOANS:				
Individually evaluated for impairment	$ -	$ 4,456,415	$ -	$ 4,456,415
Collectively evaluated for impairment	1,234,470,339	1,118,885,939	119,085,389	2,472,441,667
Total loans	$1,234,470,339	$ 1,123,342,354	$ 119,085,389	$2,476,898,082

As of December 31, 2017 and 2016, the Credit Union had 27 and 18 loans with a balance of approximately $3,069,000 and $2,036,000, respectively, considered to be troubled debt restructurings (TDRs). These loans are classified as impaired loans and individually evaluated for impairment. Most of these loans were first mortgage loans. The allowance allocated to these loans at year end 2017 and 2016 is $316,909 and $322,025, respectively. In almost all cases, these loans are delinquent and being provided for in the allowance for loan losses computation, and, as a result, the restructuring of these loans did not add a material amount to the allowance for loan losses upon their modification. Modifications agreed to by the Credit Union consisted of term extensions and lowered interest rates. No principal and interest was forgiven. During 2017 and 2016, loans classified as troubled debt restructurings that ultimately defaulted were not material to the financial statements.

The Credit Union also classifies delinquent residential real estate loans as impaired loans and individually evaluates these for impairment. As of December 31, 2017 and 2016, these delinquent loans had a balance of approximately $3,488,000 and $2,420,000, respectively.

Credit Quality Indicators
The credit quality indicators used for monitoring performance by the Credit Union are primarily performance-based and include past-due status and nonaccrual status.

NOTE 4 - Loans to Members (Continued)

Age Analysis of Past-due Loans

The Credit Union's age analysis of past-due loans at December 31, 2017 and 2016, by loan segment and class, is summarized below:

2017	30 - 59 Days Past Due	60 - 89 Days Past Due	> 90 Days Past Due	Total Past Due	Current	Total Loans
CONSUMER						
Secured	$9,616,335	$2,930,491	$2,838,222	$15,385,048	$ 1,108,471,263	$ 1,123,856,311
Unsecured	3,415,301	1,233,076	1,714,772	6,363,149	356,359,846	362,722,995
Other	450,141	189,440	162,503	802,084	67,124,057	67,926,141
MORTGAGE						
First mortgage	4,076,808	1,503,209	1,491,626	7,071,643	1,120,845,376	1,127,917,019
Home equity	329,878	119,653	389,234	838,765	156,647,518	157,486,283
BUSINESS	956,809	-	-	956,809	157,207,362	158,164,171
Total	$18,845,272	$5,975,869	$6,596,357	$31,417,498	$2,966,655,422	$2,998,072,920

2016	30 - 59 Days Past Due	60 - 89 Days Past Due	> 90 Days Past Due	Total Past Due	Current	Total Loans
CONSUMER						
Secured	$7,810,060	$2,667,576	$2,890,408	$13,368,044	$820,551,513	$833,919,557
Unsecured	3,050,108	882,006	1,825,662	5,757,776	336,135,729	341,893,505
Other	388,314	125,100	438,926	952,340	57,704,937	58,657,277
MORTGAGE						
First mortgage	3,822,115	662,211	2,103,436	6,587,762	982,662,059	989,249,821
Home equity	431,562	177,884	244,626	854,072	133,238,461	134,092,533
BUSINESS	70,128	-	38,444	108,572	118,976,817	119,085,389
Total	$15,572,287	$4,514,777	$7,541,502	$27,628,566	$2,449,269,516	$2,476,898,082

There were no loans past due greater than 90 days and accruing interest as of December 31, 2017 and 2016.

Loans on which the accrual of interest has been discontinued amounted to approximately $6,596,000 and $7,542,000 at December 31, 2017 and 2016, respectively. If interest on these loans had been accrued, such income would have been approximately $170,000 and $220,000 at December 31, 2017 and 2016, respectively.

Impaired loans are not material to the financial statements as of December 31, 2017 and 2016.

No additional funds are committed to be advanced in connection with impaired loans at December 31, 2017 and 2016.

NOTE 4 - Loans to Members (Continued)

Nonaccrual Loans

The Credit Union's loans on nonaccrual status at December 31, 2017 and 2016, by loan segment and class, are summarized below:

	2017	2016
CONSUMER		
Secured	$2,838,222	$2,890,408
Unsecured	1,714,772	1,825,662
Other	162,503	438,926
MORTGAGE		
First mortgage	1,491,626	2,103,436
Home equity	389,234	244,626
BUSINESS	-	38,444
Total	$6,596,357	$7,541,502

NOTE 5 - Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment is as follows:

	2017	2016
Land	$ 15,320,741	$ 15,490,714
Buildings and building improvements	125,513,304	76,773,866
Furniture, fixtures, equipment, and software	23,391,307	39,134,095
Leasehold improvements	5,469,340	3,306,718
Construction in progress	299,028	32,200,954
Total cost	169,993,720	166,906,347
Accumulated depreciation	(30,528,645)	(46,727,885)
Net premises and equipment	$ 139,465,075	$ 120,178,462

In 2017, the Credit Union's second office facility on the headquarters campus was substantially completed and placed into service, amounting to approximately $48,000,000 in building and building improvements by year end, including the reclassification of approximately $32,000,000 from construction in progress.

The Credit Union leases certain branch offices. One of the lease commitments is with Michigan State University and expires in 2021.

Pursuant to the terms of noncancelable lease agreements in effect at December 31, 2017 pertaining to premises and equipment, future minimum rent commitments under various operating leases are as follows:

Years Ending	Amount
2018	$ 298,559
2019	300,799
2020	289,506
2021	215,624
2022	104,729
Thereafter	368,401
Total	$ 1,577,618

The land on which a branch location is located is leased from Michigan State University for $1. The lease expires in the year 2110. The cost of such rentals is not included above. Total rent expense was approximately $254,000 and $231,000 during 2017 and 2016, respectively.

NOTE 6 - Members' Shares and Savings Accounts

A summary of members' share and savings accounts at December 31 is as follows:

	2017	2016
Regular shares	$ 501,954,443	$ 451,426,942
Share draft	492,449,085	447,766,744
Money market checking	63,943,840	60,158,381
Insured money management accounts	1,122,041,533	1,080,533,606
Business deposits	187,926,805	179,304,341
Share certificates	808,404,088	736,627,140
Total members' share and savings accounts	$3,176,719,794	$2,955,817,154

The aggregate amounts of members' share and savings accounts in denominations of $250,000 or more at December 31, 2017 and 2016 were approximately $84,846,000 and $66,437,000, respectively.

NOTE 6 - Members' Shares and Savings Accounts (Continued)

At December 31, 2017, scheduled maturities of share certificates are as follows:

Years Ending	Amount
2018	$ 351,867,915
2019	154,595,257
2020	88,249,641
2021	97,694,218
2022	105,769,968
Thereafter	10,227,089
Total	$808,404,088

In the normal course of business, the Credit Union's directors, supervisory committee members, and executive officers maintain deposit accounts. The total amount of these shares at December 31, 2017 and 2016 was approximately $1,963,000 and $1,565,000, respectively.

NOTE 7 - Borrowings

The Credit Union has advances from the Federal Home Loan Bank (FHLB) of Indianapolis totaling approximately $210,000,000 and $50,000,000 at December 31, 2017 and 2016, respectively. The advances require monthly interest payments based on the rate at the time each advance was taken. The interest rates range from 0.97 percent to 2.92 percent on balances outstanding, with a weighted-average interest rate of 2.06 percent at December 31, 2017. The interest rates ranged from 2.52 percent to 5.02 percent, with a weighted-average interest rate of 3.20 percent at December 31, 2016. The advances are collateralized by qualifying securities as of December 31, 2017. The advances are subject to prepayment penalties and the provisions and conditions of the credit policy of the FHLB.

The Credit Union has approximately $919,105,000 and $889,722,000 in additional borrowing capacity with the Federal Home Loan Bank of Indianapolis at December 31, 2017 and 2016, respectively.

Future obligations of the advances are as follows at December 31, 2017:

Years Ending	Amount
2018	$ 45,000,000
2019	20,000,000
2020	25,000,000
2021	5,000,000
2022	15,000,000
Thereafter	100,000,000
Total	$ 210,000,000

NOTE 8 - Line of Credit

Under a line of credit agreement with Alloya Corporate Credit Union (Alloya), the Credit Union has available borrowings of $100,000,000. There were no amounts outstanding on the line of credit at December 31, 2017 and 2016. Alloya has a blanket pledge on all credit union assets as collateral for borrowings on this line of credit. Alloya rescinds any rights to qualifying securities pledged as collateral on the Federal Home Loan Bank of Indianapolis advances.

The Credit Union also has access to discount window borrowings from the Federal Reserve Bank of Chicago. There is no specific borrowing limit or maturity/expiration date for the relationship. The amount that can be borrowed is subject to full collateralization by the acceptable pledging of assets acceptable to the Federal Reserve Bank of Chicago. The interest rate for any discount window borrowings will be the published discount borrowing rate in effect on the date of the borrowing. The discount window borrowings are governed in accordance with the terms and conditions established in an agreement between the Credit Union and the Federal Reserve Bank of Chicago.

NOTE 9 - Postretirement Benefit Plans

The Credit Union provides continued health and dental insurance to eligible retirees, their spouses, and eligible dependents in addition to a $5,000 death benefit to a designated beneficiary. An employee is eligible for these benefits after retiring at age 62 with at least 15 years of service or at least 25 years of service without regard to age. The Credit Union records postretirement benefits that require the accrual of expected cost of retiree benefits during the years that the employees render the necessary service to be entitled to receive such postretirement benefits of the plan.

The plan eligibility requirements were amended for employees hired after December 1, 2009. Dependents of retirees will no longer be covered by the plan. Furthermore, the percentage of premiums that will be paid by the Credit Union will vary depending on the retirement age of the employee. Employees hired after December 31, 2015 will not be eligible for postretirement benefits.

Obligations and Funded Status

	Postretirement Benefits	
	2017	2016
Accumulated benefit obligation	$ 25,237,248	$ 28,155,083

Amounts recognized in accumulated other comprehensive income consist of the following:

	Postretirement Benefits	
	2017	2016
Net Loss	$ 6,840,337	$ 12,295,119

	Postretirement Benefits	
	2017	2016
Net Periodic Benefit Cost, Employer Contributions, Participant Contributions, and Benefits Paid		
Net periodic benefit cost	$ 2,985,462	$ 2,338,962
Employer contributions	440,950	411,936
Benefits paid	(440,950)	(411,936)
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income	$ 5,454,782	$ 3,938,292
Total recognized in net periodic benefit cost and other comprehensive income	$ 8,440,244	$ 6,277,254

The estimated net loss and prior service cost for the postretirement benefit plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are $354,760 and $758,278, respectively.

Weighted-average assumptions used to determine benefit obligations and net periodic benefit cost for the years ended December 31 are as follows:

	2017	2016
Discount rate	4.00%	3.75%

Assumed Healthcare Cost Trend Rates at December 31

	Postretirement Benefits	
	2017	2016
Healthcare cost trend rate assumed for next year	5.00%	6.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.00%	4.00%
Year that the rate reaches the ultimate trend rate	2019	2019

Cash Flow

Contributions and Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid. Expected contributions from the Credit Union are substantially the same as projected benefit payments.

Years Ending	Postretirement Benefits
2018	$ 489,293
2019	514,287
2020	551,087
2021	588,812
2022	619,850
Thereafter	4,027,639

NOTE 10 - Retirement Plans

All full-time and part-time employees are eligible to contribute to the Credit Union's 401(k) plan. Employees who have been on staff for at least 12 months, have worked at least 1,000 hours, and are 21 years of age or older are eligible for the Credit Union's matching contribution. Employees may contribute up to 100 percent of their compensation (subject to IRS limits) and the Credit Union will make a matching contribution equal to 200 percent of the employee's 401(k) elective deferral contributions up to 5 percent of the employees' salary. The 401(k) plan expense was approximately $2,966,000 and $2,594,000 for 2017 and 2016, respectively. In addition, the Credit Union pays the administrative costs of the plan.

The Credit Union also has a 457(b) plan for certain key employees to allow these employees to defer income in excess of the 401(k) plan contribution limits. The Credit Union does not make any contributions to this plan.

NOTE 11 - Off-balance-sheet Activities

Credit-related Financial Instruments

The Credit Union is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its members. These financial instruments include commitments to extend credit, standby letters of credit, and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statement of financial condition.

The Credit Union's exposure to credit loss is represented by the contractual amount of these commitments. The Credit Union follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

As of December 31, 2017 and 2016, the following financial instruments whose contract amounts represent credit risk were outstanding:

	2017	2016
Commitments to grant mortgage and consumer loans	$ 36,437,000	$ 43,293,000
Commitments to grant business loans	24,146,000	5,179,000
Unfunded commitments under lines of credit	887,608,000	812,729,000
Unfunded commitments under overdraft protection programs	90,460,000	84,676,000

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Credit Union, is based on management's credit evaluation of the member.

Unfunded commitments under commercial lines of credit, revolving credit lines, and overdraft protection agreements are commitments for possible future extensions of credit to existing members. These lines of credit are collateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Credit Union is committed.

NOTE 12 - Minimum Regulatory Capital Requirements

The Credit Union is subject to various regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance-sheet items as calculated under generally accepted accounting practices. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the table below) of net worth (as defined) to total assets (as defined). Credit unions are also required to calculate a risk-based net worth requirement (RBNWR) which establishes whether or not the Credit Union will be considered "complex" under the regulatory framework. The Credit Union's RBNWR ratio as of December 31, 2017 and 2016 was 5.95 percent and 5.87 percent, respectively. The minimum ratio to be considered complex under the regulatory framework is 6 percent. Management believes, as of December 31, 2017 and 2016, that the Credit Union meets all capital adequacy requirements to which it is subject.

NOTE 12 - Minimum Regulatory Capital Requirements (Continued)

As of December 31, 2017, the most recent call reporting period, and December 31, 2016, the Credit Union was categorized as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Credit Union must maintain a minimum net worth ratio of 7.00 percent of assets. There are no conditions or events since the notification that management believes have changed the Credit Union's category.

	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
As of December 31, 2017	Amount	Ratio	Amount	Ratio	Amount	Ratio
Net Worth	$ 411,275,582	10.69%	$ 230,733,021	6.00%	$269,188,525	7.00%
As of December 31, 2016						
Net Worth	$367,837,894	10.77%	$204,782,747	6.00%	$238,913,205	7.00%

Because the RBNWR is less than the net worth ratio, the Credit Union retains its original category. Furthermore, in performing its calculation of total assets, the Credit Union used the quarter-end balance option, as permitted by regulation.

NOTE 13 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Credit Union's assets measured at fair value on a recurring basis at December 31, 2017 and 2016 and the valuation techniques used by the Company to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Credit Union has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Credit Union's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

NOTE 13 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at December 31, 2017

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2017
U.S. government and federal agency obligations	$ -	$240,969,509	$ -	$240,969,509
Mortgage-backed securities — Residential	-	181,367,313	-	181,367,313
Total available-for-sale securities	$ -	$422,336,822	$ -	$422,336,822

Assets Measured at Fair Value on a Recurring Basis at December 31, 2016

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2016
U.S. government and federal agency obligations	$ -	$288,483,166	$ -	$288,483,166
Mortgage-backed securities — Residential	-	239,933,541	-	239,933,541
Total available-for-sale securities	$ -	$528,416,707	$ -	$528,416,707

NOTE 14 - Business Combinations

On March 25, 2016, the Credit Union acquired all the assets and liabilities of Clarkston Brandon Community Credit Union (CBCCU). The primary reason for the acquisition was the proximity of the branch locations acquired to current credit union members as well as the potential growth opportunities. The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed:

Cash and cash equivalents	$ 9,524,779
Time deposits with other financial institutions	3,279,938
Other investments	406,827
Loans	25,509,580
Premises and equipment	1,779,363
Business-owned life insurance	1,401,783
NCUSIF deposit	603,217
Estimated future recoveries	7,804,899
Other assets	192,452
Total identifiable assets	$ 50,502,838
Shares	$ 58,446,082
Accrued and other liabilities	149,077
Total identifiable liabilities	$ 58,595,159

The goodwill of approximately $8,092,000 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the two organizations and absorption of losses incurred by CBCCU prior to the merger.

As of December 31, 2016, one fair value adjustment was considered provisional, related to the estimated future recoveries. This item has been determined provisionally due to the uncertainty of the actual amounts and timing of cash flows. Of the approximately $7,800,000 of estimated future recoveries at the date of the acquisition, approximately $5,500,000 has been recovered as of December 31, 2016. The remaining $2,300,000 is included in other assets on the accompanying statement of financial condition as of December 31, 2016 and was recovered during the year ended December 31, 2017. During the year ended December 31, 2017, the Credit Union received $255,502 in proceeds above the amount estimated at the date of acquisition. This reduced the amount of goodwill on the balance sheet as of December 31, 2017.

During the year ended December 31, 2016, acquisition-related costs, which included legal and consulting fees, totaled $139,000 and were included in other operating expenses on the accompanying statement of income and comprehensive income.

80TH ANNIVERSARY

1937 - 2017

Michigan State University Federal Credit Union

msufcu.org • oucreditunion.org

PO Box 1208 • East Lansing, MI 48826-1208
517-333-2424 • 800-678-4968 • 248-364-4708 • 800-766-6828

Visit msufcu.org/community or oucreditunion.org/community to stay up to date on the latest Credit Union news and learn more about the ways we give back to the community.