

A Special Thank You

We would like to thank all of our valued employees who helped Credit Union of Colorado grow throughout 2016 and who provided excellent member service.

2016 Credit Union of Colorado Officials

Board of Directors:

Will Fleckenstein, Ph.D., Chairperson
 JoAnn Vondracek, Vice Chairperson
 Dann Milne, Ph.D., Secretary/Treasurer
 Mary Ann Adams, Director
 Jim Dixon, Ph.D., Director
 Kimberly Howard, Director
 Joe Montoya, Director
 Gerald O'Halloran, Director
 John Van Sciver, Director
 Russ VanNostrand, Director
 Lloyd Wicke, Director

Supervisory Committee:

Ron Hinton, Chairperson
 Marilyn North, Secretary
 Gabe Hesse, Member
 Jeff Romeo, Member
 Jing Ye, Member

Contact

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Statement of Financial Condition	2016	2015
Loans	\$789,516,427	\$707,488,841
Loans in Process	\$1,760,476	\$179,828
Deferred Net Loan Origination Costs	\$1,156,764	\$51,190
Allowance for Loan Losses	(\$3,851,143)	(\$2,780,153)
Total Loans, Net	\$788,582,524	\$704,939,707
Other Assets Held For Sale	\$436,065	\$208,001
Other Real Estate Owned	\$0	\$140,000
Cash	\$10,060,587	\$9,395,791
Investments	\$526,273,638	\$529,785,014
Fixed Assets	\$15,280,527	\$15,701,618
Other Assets	\$48,580,042	\$37,950,154
TOTAL ASSETS	\$1,389,213,384	\$1,298,120,285
Notes Payable	\$0	\$0
Other Liabilities	\$19,407,916	\$17,308,322
Shares	\$402,678,245	\$355,015,671
Money Market	\$340,045,768	\$319,774,352
IRA/HSA Shares	\$29,436,925	\$27,147,419
Checking	\$258,930,571	\$230,991,039
Certificates	\$192,055,457	\$207,589,128
Total Deposits	\$1,223,146,966	\$1,140,517,608
Regular Reserves	\$15,465,739	\$15,465,739
Undivided Earnings	\$129,497,442	\$122,346,635
Unrealized Gains or Losses	\$1,695,322	\$2,481,981
Total Equity	\$146,658,503	\$140,294,354
TOTAL LIABILITIES & EQUITY	\$1,389,213,384	\$1,298,120,285

Statement of Income and Expenses	2016	2015
Loan Interest	\$34,745,391	\$32,186,935
Net Loan Origination Costs	(\$1,201,932)	(\$1,102,965)
Investment Income	\$7,084,606	\$5,122,725
TOTAL INTEREST INCOME	\$40,628,065	\$36,206,694
Interest on Borrowed Money	\$1,303,500	\$423,165
Deposit Dividends	\$3,051,393	\$3,178,373
TOTAL COST OF FUNDS	\$4,354,893	\$3,601,538
NET INTEREST INCOME	\$36,273,172	\$32,605,156
Fee Income	\$5,849,056	\$5,851,082
Other Income	\$11,805,889	\$10,081,512
TOTAL NON-INTEREST INCOME	\$17,654,945	\$15,932,594
Salaries and Benefits	\$22,893,057	\$21,646,476
Conferences and Training	\$607,517	\$598,448
Office Occupancy	\$3,495,555	\$3,461,717
Office Operations	\$2,589,749	\$2,571,002
Marketing	\$1,627,288	\$1,524,722
Technology	\$2,820,953	\$2,434,094
Loan Servicing	\$1,160,224	\$1,013,330
Professional/Outside Services	\$2,705,524	\$2,513,481
Insurance	\$336,377	\$374,273
Plastic Cards	\$5,480,365	\$5,994,227
Payment Processing	\$587,687	\$583,766
Loan Origination Costs	(\$840,544)	(\$698,991)
Miscellaneous Operating Expenses	\$398,995	\$292,249
TOTAL OPERATING EXPENSES	\$43,862,747	\$42,308,794
Provision for Loan Loss	\$4,567,311	\$2,205,795
Gain(Loss) Disposition of Assets	\$1,652,749	\$1,637,572
NET INCOME	\$7,150,807	\$5,660,732



CREDIT UNION
 OF
COLORADO[®]
 A FEDERAL CREDIT UNION

2016 Annual Report

Board of Directors' Report

Will Fleckenstein, Ph.D., Chairperson

Although most people know that nonprofits, including Credit Union of Colorado, have a Board of Directors, not everyone understands the role that the Board plays. Our job is simple: to make sure that our credit union is always focused on being here to help our members, and that we always do the right thing when it comes to your financial health.

One way that we do this is by making sure we follow all regulatory requirements in a way that does not become a burden on our members, even as regulations have become more complex. This should be seamless, like the back end of our website that allows you to do online banking. In other words, we know we are doing a good job in this area when you don't even realize we are doing it.

Being regulated means that everything we do goes through a careful independent review each year by federal examiners. We are proud that we received among the highest ratings possible from our most recent National Credit Union Administration (NCUA) examination. This rating is a critical benchmark that measures the financial soundness of a credit union. The rating validates, for example, that we have enough capital on hand to weather financial downturns. As important, the examination pays close attention to how we are positioned to meet the future. A future that is tied to the adoption of technology and strategies to better serve members going forward. Again, our regulators give us high marks.

The credit union continues to grow at a healthy pace. In 2016 we grew membership at a rate of 4.95 percent (the national average is 3.8 percent). But just as impressive as our growth is the fact that we continue to be in the top 10 percent of all credit unions when it comes to member retention. If you are a member now, there is a 99 percent chance you will still be a member next year! Together these metrics validate our credit union is on the right course to always be here to help our members.

We are also proud of the fact we continue to serve member communities throughout Colorado. In addition to the good work we do for members, we believe we have a responsibility to serve these communities as a whole as well. This service is best expressed through our support of the Credit Union of Colorado Foundation. In 2016 we saw our Credit Union of Colorado Foundation continue to grow and prosper. More than 5,500 members joined the foundation last year, and we awarded a total of \$188,015 in grants and scholarships to communities and students around the state.

In closing, we understand there are lots of other choices when it comes to where to place your money or seek a loan or credit card. We are grateful you are a member of our Credit Union of Colorado family, and we promise to work hard every day to make sure you are happy with that decision.



Treasurer's Report

Dann Milne, Ph.D., Secretary/Treasurer

Our state's economy continues to gain momentum. In the third quarter of 2016, Colorado's Gross Domestic Product (GDP), the value of goods and services generated by the state's economy, increased by an annual rate of 5.1 percent over the prior quarter, ranking our state fourth best in the country according to the U.S. Bureau of Economic Analysis.

Our robust economy was evident in increased employment levels, a strong housing market, and a surge in car buying.

This healthy economic environment fueled opportunity for our credit union to grow both membership and loans, and with the efforts of all our staff we seized that opportunity. Overall, our major targets were achieved, adding strength to our already rock-solid foundation of high net worth.

Our ROA (Return on Assets), a key industry performance metric, was a solid 0.53 percent. Our net charge-offs totaled 0.47 percent of loans, continuing the strong performance of loans granted to our members.

Credit Officer's Report

Debbe Kirkpatrick, Credit Officer

Our dedicated credit underwriting team had a very busy year in 2016, processing 35,784 direct and indirect loan requests. We were able to keep up with this increase in loans thanks to our team's depth of experience. Their professionalism, knowledge and experience guides consistent and expeditious decision-making. The result is efficient handling of member credit applications without compromising quality.

Those uniform standards, however, are not a straitjacket. Our credit union's guiding credo is "Here to help," and when a member's loan application does not meet the established application criteria, we consider our overall relationship with the member and factors that don't fit neatly into our decision-making matrix. If we are still unable to extend credit, we are eager to provide counsel to members on how to build their credit.

2016 Credit Underwriting Highlights

- 2016 was our second year of utilizing our "Loan Review" tool to help the credit team and branch staff discover how members can gain interest savings and ease the burden of onerous debt payments through a loan refinance and/or debt consolidation.

Supervisory Committee Report

Ron Hinton, Chairperson

The Supervisory Committee is accountable for ensuring that there are effective procedures and policies in place to protect the assets of our member shareholders.

Our responsibilities in 2016 continued to grow as the result of ever-increasing regulatory requirements, many of them aimed at protecting consumers from the unscrupulous practices of some financial

FINANCIAL HIGHLIGHTS:

	2016	2015	% Change
Members:	113,180	107,839	4.95%
Deposits:	\$1.22 billion	\$1.14 billion	7.24%
Loans:	\$790 million	\$707 million	11.59%
Net Income:	\$7.15 million	\$5.66 million	26.32%
Total Assets:	\$1.39 billion	\$1.30 billion	7.02%

NET WORTH:

As a member (not a customer) of the credit union, you will be pleased to know that we are always focused on financial safety. Our net worth, the earnings retained since our credit union was first formed, was \$145 million, up 5.19 percent over the prior year. In terms of percentage of assets, our net worth was 10.43 percent. That places us in the upper echelon of credit unions across the country; further, it goes well beyond the 7 percent required to be ranked as "well capitalized" by the National Credit Union Administration (NCUA).

- Our Preferred Dealer Network (PDN) remained strong in 2016 with 19 statewide auto dealers. Dealers must meet our high standards for service, honesty and fair dealing. The 872 members who bought vehicles at these Preferred Dealers in 2016, and financed their purchase through us, obtained a 0.25 percent discount rate off our regular auto loan rates. We funded 484 current members through the PDN channel as well as an additional 388 new members for a total of 872 vehicle PDN loans funded, totaling \$17,183,277.

2016 Credit Underwriting Highlights

- The loan portfolio, including mortgage and consumer loans, grew by 11.59 percent to \$790 million.
- Overall, we funded a total of 18,265 loans, compared to 17,973 in 2015.
- We processed 21,932 direct loan and credit applications, with an overall approval ratio of 73.3 percent. Of the 16,089 applications that were approved, 90 percent resulted in funded loans.
- The delinquent loan ratio dropped from 0.37 percent to 0.33 percent. This compares to the third-quarter 0.7 percent median total delinquency rate among federally insured credit unions. (Source: National Credit Union Administration.)

institutions. The regulations have become more complicated and time-consuming.

Yet despite that challenge, our committee is happy to inform you that your credit union last year complied with all the myriad regulatory requirements, with no shortcomings to report.

Much of this accomplishment owes to the efforts of our Internal Auditing Department and the support of our credit union's management. They helped us see to it that regulatory requirements were met.

Management Report

Terry Leis, President/CEO

This past year we heard a lot of news about some financial institutions that treated their customers poorly. Unfair or unethical practices were uncovered that were grounded in greed. I'm glad that we do things differently here, where everything we do is based on what's best for our members.

To us, fair and honest is only the beginning. We build upon an ethical platform of a great experience. And, we believe a great experience is very dependent on your individual needs and expectations. Whether you come in to one of our branches or do all your transactions online, we want every interaction with us to be positive. That means constantly finding ways to make your transactions easier, faster and more efficient. Most importantly, it means always being transparent. No hidden fees. No ugly surprises.

Building great experiences means we need to know how to listen first. We desire to continue to get to know you better and understand exactly what you need. And then we will find ways to improve for the benefit of all membership.

Our road of continuous improvement took some important steps in 2016. For example, we implemented chip technology and issued new chip cards to all our members with VISA cards. These cards create a one-time code for each transaction you initiate. That means your debit and credit cards are more secure and better defended against fraud or ID theft.

Because more and more of you are accessing your accounts on smart phones, we also upgraded our mobile app in 2016, including Touch ID authentication. And we added digital pay features so you can use Apple Pay, Samsung Pay or Android Pay to make purchases.

When it comes down to it, our primary role is more than just promising you great service. It's making sure we are delivering great service every time. It's treating you the way we'd like to be treated ourselves. It's treating each of you with courtesy and respect, and going the extra mile to solve a problem.

In short, our job is to make sure we are always here to help. That's our promise to you, now and in the future.

We also were greatly aided by the external accounting firm of Holben Hay Lake Balzer CPAs LLC. This firm deserves commendation for its first-rate work in examining and testing our internal controls. The firm provides us with an opinion audit regarding our financial statements to confirm they are prepared in accordance with generally accepted accounting principles. Our committee is also grateful to the firm for helping us stay within the complicated boundaries of regulatory compliance.

In short, the committee firmly believes the Credit Union of Colorado continues to be a safe place to conduct all your banking.