

A Special Thank You

We would like to thank all of our valued employees who helped Credit Union of Colorado grow and who provided excellent member service throughout 2017.

2017 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
 Cindy DeGroen, Advisory Board 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	2017	2016
Loans	\$881,027,527	\$789,516,427
Loans in Process	\$565,196	\$1,760,476
Deferred Net Loan Origination Costs	\$3,569,122	\$1,156,764
Allowance for Loan Losses	(\$3,815,709)	(\$3,851,143)
Total Loans, Net	\$881,346,136	\$788,582,524
Other Assets Held For Sale	\$326,688	\$436,065
Other Real Estate Owned	\$0	\$0
Cash	\$14,412,854	\$10,060,587
Investments	\$519,792,189	\$526,273,638
Fixed Assets	\$17,286,871	\$15,280,527
Other Assets	\$46,139,128	\$48,580,043
TOTAL ASSETS	\$1,479,303,866	\$1,389,213,384
Notes Payable	\$0	\$0
Other Liabilities	\$22,332,876	\$19,407,915
Shares	\$451,095,333	\$402,678,245
Money Market	\$358,995,389	\$340,045,768
IRA/HSA Shares	\$30,717,492	\$29,436,925
Checking	\$277,685,818	\$258,930,571
Certificates	\$183,783,577	\$192,055,457
Total Deposits	\$1,302,277,609	\$1,223,146,966
Regular Reserves	\$15,465,739	\$15,465,739
Undivided Earnings	\$138,878,362	\$129,497,442
Unrealized Gains or Losses	\$349,280	\$1,695,322
Total Equity	\$154,693,381	\$146,658,503
TOTAL LIABILITIES & EQUITY	\$1,479,303,866	\$1,389,213,384

Statement of Income and Expenses	2017	2016
Loan Interest	\$39,248,507	\$34,745,391
Net Loan Origination Costs	(\$1,922,747)	(\$1,201,932)
Investment Income	\$10,360,097	\$7,084,606
TOTAL INTEREST INCOME	\$47,685,857	\$40,628,065
Interest on Borrowed Money	\$2,979,174	\$1,303,500
Deposit Dividends	\$3,031,335	\$3,051,393
TOTAL COST OF FUNDS	\$6,010,509	\$4,354,893
NET INTEREST INCOME	\$41,675,348	\$36,273,172
Fee Income	\$6,034,568	\$5,849,056
Other Income	\$12,152,505	\$11,805,889
TOTAL NON-INTEREST INCOME	\$18,187,073	\$17,654,945
Salaries and Benefits	\$26,191,921	\$22,893,057
Conferences and Training	\$655,767	\$607,517
Office Occupancy	\$3,611,496	\$3,495,555
Office Operations	\$2,276,647	\$2,589,749
Marketing	\$1,656,009	\$1,627,288
Technology	\$3,648,560	\$2,820,953
Loan Servicing	\$1,055,920	\$1,160,224
Professional/Outside Services	\$2,878,585	\$2,705,524
Insurance	\$350,829	\$336,377
Plastic Cards	\$5,552,242	\$5,480,365
Payment Processing	\$649,808	\$587,687
Loan Origination Costs	(\$857,561)	(\$840,544)
Miscellaneous Operating Expenses	\$533,152	\$398,995
TOTAL OPERATING EXPENSES	\$48,203,375	\$43,862,747
Provision for Loan Loss	\$3,426,545	\$4,567,311
Gain on Disposition of Assets	\$1,148,419	\$1,652,748
NET INCOME	\$9,380,920	\$7,150,807



CREDIT UNION
 OF
COLORADO[®]
 A FEDERAL CREDIT UNION

2017 Annual Report

Board of Directors' Report

Will Fleckenstein, Ph.D., Chairperson

Have you ever worked in customer service? If you have, you are probably familiar with the term *user experience*. Basically, it means making sure that the experience people have when they first encounter you and every time they interact with you after that is a positive one—whether the interaction is in person, by phone or online. It sounds simple but it's often easier said than done.

At Credit Union of Colorado, our "users" are our members. The main goal of our Board of Directors is to make sure that our members have a positive experience with us. And the way we do that is to work hand-in-hand with management and staff to deliver value on an ongoing basis.

What do we mean by value? Financial stability, for starters. In 2017, we received the highest possible evaluation of five critical elements of a credit union's operations from the National Credit Union Administration (NCUA). One of the NCUA examiners said that even though we are a large credit union, we act like a small one because we treat our members like friends and neighbors. That's just the sort of value our members expect.

Being financially stable means keeping adequate funds on hand to sustain us through any downturn, but it also means operating as efficiently as possible. We do that by improving our infrastructure and enhancing our technology. For example, in 2017 we upgraded our phone system and streamlined its functions to deliver a better experience to our members. We also converted our Bear Valley branch from a convenience center to a full-service office with tellers.

Another way we deliver value is through our Credit Union of Colorado Foundation. More than 7,700 members joined the foundation in 2017, and we awarded \$180,000 in grants and scholarships in the communities where our members live.

We know this focus on user experience and value is working because our membership grew by 6.2 percent in 2017, the highest growth rate we've seen in years. That compares favorably to the national growth rate for federally chartered credit unions of 4.7 percent (October 2017), as reported by the Credit Union National Association (CUNA). Our membership surveys found that we increased the percentage of members who are satisfied or very satisfied with our overall service, and we rank in the top 10 percent of credit unions for member retention. That means if you are a member now, there is a 98.5 percent chance you'll still be a member next year.

Your Board of Directors is committed to delivering the best value and a great experience to every Credit Union of Colorado member. That's our pledge to you, now and in the years ahead.

Treasurer's Report

Dann Milne, Ph.D., Secretary/Treasurer

As we all know, Colorado's vibrant economy continued to excel in 2017. As a matter of fact, our state was ranked as having the number one economy in the nation by *U.S. News and World Report's* "Best States" study released February 28, 2017.

Our credit union benefited from Colorado's favorable economy. We also believe the growth we experienced during the year was based on our actions as well. Throughout the year we continued to improve our practices and offerings to be more connected with both existing members and potential members.

For these reasons, we attracted new members to the credit union in record numbers, grew our deposits at a healthy 6.5 percent rate, and saw robust loan growth of 11.6 percent. Loan growth was driven in particular by above average performance in both auto loans and home equity lines of credit.

I am also pleased to report this growth did not come at the expense of safety and soundness. As in the past, we continued to see very low loan delinquencies and charge-offs during the year. Our loan portfolio is a healthy one.

Credit Officer's Report

Debbe Kirkpatrick, Credit Officer

When a member of our credit union applies for a credit card, auto loan or home loan, my team of credit professionals and I do our best to live up to the credit union's motto – "Here to Help" – with service that is fast, friendly and efficient, and guided by consistent credit standards.

Throughout the financial services industry, the demand for consumer credit was similar to 2016. However, we experienced a healthy number of credit applications in 2017. Our ability to deliver the kind of credit service our members expect, without cutting corners on credit quality, was put to the test as we processed these applications. I am pleased to report that we passed that test and, in the process, helped members achieve their financial goals.

2017 Credit Underwriting Highlights

- Our success in meeting the burgeoning number of credit applications was aided by major enhancements to our centralized loan review structure. This enabled us to make the loan process quicker and smoother for our members, while not sacrificing prudent credit decision-making.

Supervisory Committee Report

Ron Hinton, Chairperson

The responsibility of the Supervisory Committee is to see to it that we have effective processes and policies in place to protect the assets of our member shareholders.

Again, in 2017, that task kept growing. This is in large part due to increasing regulatory requirements. As we have reported to you in the

FINANCIAL HIGHLIGHTS:

	2017	2016	% Change
Members:	120,191	113,180	6.2%
Deposits:	\$1.30 billion	\$1.22 billion	6.5%
Loans:	\$881 million	\$790 million	11.6%
Net Income:	\$9.38 million	\$7.15 million	31.2%
Net Charge-offs:	0.41%	0.47%	-0.06%
Total Assets:	\$1.48 billion	\$1.39 billion	6.5%

In short, I am pleased to report 2017 was a very good year.

KEY METRICS:

- Return on Assets (ROA) was a very strong 0.65 percent. ROA is the industry's most important gauge of a credit union's financial performance. Our ROA places us in the upper tier of the industry.
- Net Worth, the earnings retained since our credit union was formed in 1934, was \$154.3 million. This was up 6.5 percent over the prior year.
- As a percentage of assets, our Net Worth was 10.43 percent. That ranks us in the upper tier of the industry and exceeds the 7 percent required to be "well capitalized" by the NCUA. Our high Net Worth means we have a financial foundation sturdy enough to withstand economic downturns.

- Given the lively real estate market, many homeowners found themselves with a jump in their equity. Many of them decided to put that home equity to use. We saw great growth in home equity loans. We made a total of 1,111 home equity loans in 2017 compared to 890 in the prior year, an increase of 24.8 percent.
- Our total loan portfolio, including mortgage and consumer loans, increased to \$881,027,527 up 11.6 percent over 2016. Portfolio mortgage loans (those loans kept as an investment instead of sold to mortgage investors) were made with an eye toward minimizing the risk of potential adverse movements in interest rates.
- We funded a total of 18,899 loans compared to 18,265 in 2016, a 3.5 percent increase.
- We processed 23,629 direct loan credit applications, compared to 21,932 in 2016, a 7.7 percent increase.
- The average approval ratio for submitted loan applications was 76.8 percent. Of all applications, 88.9 percent were ultimately funded.
- Our delinquent loan ratio ended the year at 0.26 percent. In 2016 the ratio was 0.33 percent. The NCUA peer average for year end 2017 was 0.72 percent.

past, regulatory compliance requirements aimed at protecting consumers from unethical, unlawful or imprudent lending practices continued to proliferate in 2017.

Nonetheless, despite the increased workload necessitated by the mounting number of regulations, I am pleased to report to you that the regulatory examiners found us in compliance with all regulatory obligations. A good deal of the credit for this success goes to our Internal Auditing Department and the earnest support of our management.

Management Report

Terry Leis, President/CEO

One of the things you hear a lot more today is the importance of advocacy. In short, working on behalf of others. To us, advocacy is nothing new; it has driven us for years. Members have always been our primary focus and are the root of "Here to Help."

How do we advocate for members? We work to find them the best possible financial solutions and tools. This means we take the time to listen, and then ask questions to make sure we understand. When we understand a member's needs—and only then—we recommend a course of action.

I am pleased to report this tradition of advocacy continued during 2017. Championing the cause of members was exhibited many ways during the year. In 2017 we transitioned to a new and improved bill pay system. We made it easier to make loan payments online. And, we redesigned our website with a new fresh look and easier navigation.

Improving technology and access is one path to serving members. Another equally important path is to provide great service to each member on an individual basis. To accomplish this task, we are regularly engaged in both staff and leadership development with member service as the end goal. We then survey members to validate our actions bear fruit. We are pleased to report the proportion of members who rated their overall service as "very satisfied" in a recent survey put us amongst the leaders of credit unions for this key service metric.

We always keep a keen eye on the financial health of your credit union. As the Treasurer's Report clearly outlines, 2017 demonstrated continued safety and soundness. A credit union that is fiscally healthy is one that can better meet your needs as a consumer of financial products and services.

In closing, we believe strongly in "Here to Help." We passionately believe we are here to best serve the needs of all membership. We will continue to hold to this service promise in the future.

We were further assisted by the external accounting firm of Holben Hay Lake Balzer CPAs LLC. The firm's professionals examined and tested our internal audit controls. In addition, the firm provided us with an opinion audit with respect to our financial statements and verified they were in accordance with generally accepted accounting principles. We are indebted to the firm's guidance in assisting us to navigate the sometimes murky waters of regulatory compliance.

