

### 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 2018.

### 2018 Credit Union of Colorado Officials

#### Board of Directors:

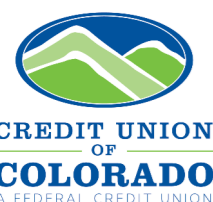
Will Fleckenstein, Ph.D., Chairperson  
JoAnn Vondracek, Vice Chairperson  
Dann Milne, Ph.D., Secretary/Treasurer  
Mary Ann Adams, Director  
Jim Dixon, Ph.D., Director  
Kimberly Howard, Director  
Joe Montoya, Director  
Gerald O'Halloran, Director  
John Van Sciver, Director  
Russ VanNostrand, 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 (unaudited)	2018	2017
Loans	\$1,015,924,850	\$881,027,527
Loans in Process	\$12,387	\$565,196
Deferred Net Loan Origination Costs	\$5,069,936	\$3,569,122
Allowance for Loan Losses	(\$3,845,496)	(\$3,815,709)
Total Loans, Net	\$1,017,161,677	\$881,346,136
Other Assets Held For Sale	\$432,937	\$326,688
Other Real Estate Owned	\$0	\$0
Cash	\$11,989,982	\$14,412,854
Investments	\$437,079,587	\$519,792,189
Fixed Assets	\$20,386,239	\$17,286,871
Other Assets	\$46,896,369	\$46,139,128
<b>TOTAL ASSETS</b>	<b>\$1,533,946,791</b>	<b>\$1,479,303,866</b>
Notes Payable	\$0	\$0
Other Liabilities	\$16,817,227	\$22,332,876
Shares	\$473,794,703	\$451,095,333
Money Market	\$363,158,294	\$358,995,389
IRA/HSA Shares	\$31,242,486	\$30,717,492
Checking	\$299,278,105	\$277,685,818
Certificates	\$183,153,181	\$183,783,577
Total Deposits	\$1,350,626,769	\$1,302,277,609
Regular Reserves	\$15,465,739	\$15,465,739
Undivided Earnings	\$152,322,214	\$138,878,362
Unrealized Gain (Loss)	(\$1,285,158)	\$349,280
Total Equity	\$166,502,795	\$154,693,381
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$1,533,946,791</b>	<b>\$1,479,303,866</b>

Statement of Income and Expenses (unaudited)	2018	2017
Loan Interest	\$46,945,341	\$39,248,507
Net Loan Origination Costs	(\$3,153,072)	(\$1,922,747)
Investment Income	\$14,239,684	\$10,360,097
TOTAL INTEREST INCOME	\$58,031,953	\$47,685,857
Interest on Borrowed Money	\$5,431,423	\$2,979,174
Deposit Dividends	\$3,824,840	\$3,031,335
TOTAL COST OF FUNDS	\$9,256,263	\$6,010,509
NET INTEREST INCOME	\$48,775,690	\$41,675,348
Fee Income	\$6,385,691	\$6,034,568
Other Income	\$14,378,141	\$12,152,505
TOTAL NON-INTEREST INCOME	\$20,763,832	\$18,187,073
Salaries and Benefits	\$29,193,544	\$26,191,921
Conferences and Training	\$806,119	\$655,767
Office Occupancy	\$3,947,062	\$3,611,496
Office Operations	\$2,367,930	\$2,276,647
Marketing	\$1,744,724	\$1,656,009
Technology	\$4,179,503	\$3,648,560
Loan Servicing	\$1,169,551	\$1,055,920
Professional/Outside Services	\$3,674,514	\$2,878,585
Insurance	\$380,928	\$350,829
Plastic Cards	\$5,812,699	\$5,552,242
Payment Processing	\$636,340	\$649,808
Loan Origination Costs	(\$994,198)	(\$857,561)
Miscellaneous Operating Expenses	\$206,181	\$533,152
TOTAL OPERATING EXPENSES	\$53,124,897	\$48,203,375
Provision for Loan Loss	\$3,370,360	\$3,426,545
Gain on Disposition of Assets	\$399,587	\$1,148,419
<b>NET INCOME</b>	<b>\$13,443,852</b>	<b>\$9,380,920</b>



**CREDIT UNION**  
OF  
**COLORADO**<sup>®</sup>  
A FEDERAL CREDIT UNION

## 2018 Annual Report

**Board of Directors' Report**

Will Fleckenstein, Ph.D., Chairperson

As your Board of Directors, our primary goal is to make sure that every time a member interacts with our credit union, the experience is a great one: yesterday, today and tomorrow. The whole Credit Union: volunteers, management and staff, are committed to a strategic vision that always puts the member first.

So how do we really know if we are delivering on that vision? Simply put, we regularly seek input from staff, and most importantly, we ask you the member how we are doing. Here are the results. In 2018, nearly 97% of our members who responded to our annual survey said they were either satisfied or very satisfied with the overall service they receive from Credit Union of Colorado, and 81% said they would be members for life! We are really happy with that, but we can and must do more, as technology helps us to help you.

Although we are one of the largest credit unions in Colorado, we seek to act like a small credit union. That is, we make every effort to treat each member like family or a dear friend. When we make decisions, we keep this goal in mind. And while we have the tools, team, and technology to compete with big banks, we always strive to deliver in a "small credit union way." Acting like a small credit union also translates to being deeply involved in every community we serve. This commitment comes via our support of the Credit Union of Colorado Foundation and the efforts of our employees who passionately volunteer their time around the state. In 2018, the Foundation granted awards that eclipsed \$200,000, including scholarships and assistance to CSEAP. On the employee side, nearly 200 employees contributed over 850 hours of their time to important causes.

Finally, when you help people, good things happen. Our financials in 2018 were in great shape. While we certainly pay attention to financial performance, and take action when needed, we believe this performance is the result of facilitating a process where members can help each other. A true financial cooperative that exists for the financial betterment of all.

In closing, on behalf of my fellow board members, thank you for the privilege of serving our Credit Union.

**Supervisory Committee Report**

Ron Hinton, Chairperson

The Supervisory Committee oversees processes and policies that safeguard the interests of our member shareholders.

In 2018, there was national speculation that there might be some easing of regulatory policies and reporting requirements that have

**Treasurer's Report**

Dann Milne, Ph.D., Secretary/Treasurer

Throughout 2018, a wave of economic opportunity for consumers and the financial institutions that serve them was in the spotlight. And Credit Union of Colorado was poised to capitalize on the state's relatively strong economy. Equipped with a wide array of products and services, market-leading credit card offerings, and the ability to efficiently manage increasing loan demand, your credit union generated strong results. These results included superior performance in membership growth, deposit and loan gains, and robust financials.

**KEY METRICS:**

▪ **Membership:** The number of new members reflected the overall demand for the credit union's products and service. Membership grew 7.71%, from 120,191 to 129,458.

▪ **Deposits:** The sizeable growth in membership helped deposits grow 3.71%, from \$1.30 billion to \$1.35 billion.

▪ **Loans:** In 2018, our loan portfolio grew by \$134.9 million driven by our vehicle and home equity loan segments, each contributing \$76.4 million and \$37.7 million, respectively, of the total portfolio growth. The number of new and used auto loans generated in 2018 was 13,270; this compares to 10,036 in 2017.

▪ **Net Income:** We generated healthy results, with net income of \$13.44 million compared to \$9.38 million in 2017.

**Credit Officer's Report**

Debbe Kirkpatrick, Credit Officer

Once again, we experienced strong demand for home equity loans and auto loans. We were able to help our members with fast and fair credit decisions in 2018. Overall, we assisted more than 13,000 members with their lending needs.

This high level of productivity was made possible due to member-focused lending practices and the dedication of our highly capable team. A team that is dedicated to be "here to help" members.

**2018 Underwriting Highlights:**

▪ Our total loan portfolio, including mortgage and consumer loans, grew 15.31% to 1.02 billion.

- Overall, we funded 22,281 loans.
  - 1,287 home equity loans.
  - 13,270 new and used auto loans.

placed a growing burden on the financial services industry, including your credit union. Despite that speculation, ever-changing regulatory mandates continue to present a challenge to all financial institutions, including ours.

Nonetheless, I am pleased to report that our policies and procedures earned us the highest regulatory rating possible. Examiners found us in compliance with all regulatory requirements.

**FINANCIAL HIGHLIGHTS:**

	2018	2017	% Change
Members:	129,458	120,191	7.71%
Deposits:	\$1.35 billion	\$1.30 billion	3.71%
Loans:	\$1.02 billion	\$881 million	15.31%
Net Income:	\$13.44 million	\$9.38 million	43.31%
Net Charge-offs:	0.35%	0.41%	-0.06%
Total Assets:	\$1.53 billion	\$1.48 billion	3.69%

▪ **Net Charge-offs:** Our brisk lending activity over the past several years has not sacrificed credit quality; net charge-offs in 2018 were a modest 0.35%. That compares to 0.41% in 2017.

▪ **Total Assets:** Total assets rose 3.69%, from \$1.48 billion to \$1.53 billion.

▪ **Return on Assets (ROA):** ROA is the key indicator of a credit union's financial performance. ROA continued its upward trend, increasing significantly from 0.65% in 2017 to 0.89% in 2018.

▪ **Net Worth:** This metric, the earnings retained since the credit union's inception, increased to 10.94% from 10.43% a year earlier. This designated our credit union as "well capitalized." Our credit union has a very strong financial footing, well-equipped to cope with economic downturns.

▪ We processed 19,290 direct loan applications.

▪ The average approval ratio for submitted loan applications was 73%. Of those approved applications, 87.03% were funded.

▪ The delinquent loan ratio was 0.20%. This is exceptionally low. The NCUA peer average for 2018 was 0.58%.

▪ The credit union's innovative "100% Mortgage Package" was introduced. It provides 100% financing for a buyer's home purchase by utilizing an interest-free second mortgage as the borrower's standard 3% down payment.

▪ We launched an awareness campaign for our innovative "FlexChoice" auto loan. It combines the best features of conventional vehicle financing with the benefits of leasing. FlexChoice offers low monthly payments like a lease, but unlike a lease, you own the vehicle.

We are grateful to our management and our Internal Audit Department for achieving this success. In addition, we want to acknowledge the contribution of the external CPA firm of Holben Hay Lake Balzer CPAs LLC. The firm audited and tested our internal audit controls. Further, the firm provided an opinion audit with respect to our financial statements and verified they were in accordance with generally accepted accounting principles. As always, we appreciate the firm's guidance in meeting the myriad regulatory requirements and ensuring that our member shareholders' interests are protected.

**Management Report**

Terry Leis, President/CEO

In 2018, it was the best of times, and the worst of times. It was the best of times in that we were able to improve our branch network, continue on our path of financial strength and stability, and build upon an innovation culture to better serve membership. It was the worst of times in that we did not meet our high standards for digital banking access and functionality, performance that other financial institutions might find acceptable.

To address our biggest area of opportunity, we laid the groundwork to improve mobile and online banking as we looked to improve both system availability and feature functionality. I am pleased to report as a result of this 2018 preparation we will launch a new digital platform in early 2019 that will significantly improve the experience for members using a smartphone, tablet or desktop to conduct business with us. This new platform will be faster, more secure, and easier to use. Members will even be able to access their account with an Apple Watch or other wearable device!

Innovation was a high priority for the Credit Union across the organization. We introduced new tools to help foster and implement new ideas. Much of the change we saw introduced as a result of this effort was incremental change, fine-tuning our business. While on the surface these changes may not seem significant, it is often the little things that make the difference in our day-to-day interactions with members.

It is important to note other innovations beyond the work on our new digital platform, was accomplished in 2018 as well. One such innovation we are excited about is called a data warehouse. You've probably heard the term big data before. Well, a data warehouse is where we store and analyze data. Analysis of this data helps us forecast business trends, analyze market opportunities, and solve problems more quickly. To put it simply, a data warehouse gives us better information to access and leverage in order to create more value for our members and to help our credit union thrive in a competitive marketplace.

All this innovation includes our branches as well. We continue to actively explore potential new branch locations. In 2018, we moved our Fort Collins branch to a new, much more functional facility designed to improve the member experience. In 2019, we will open a branch in the Highlands Ranch area that will include new technological convenience services.

We're excited about our performance in 2018. More importantly, we are committed to never outgrow our focus of members first. Scale and strength allows us to provide more services for more people, we will never lose sight of our mission to always be here to help.

I am proud that everything we do at Credit Union of Colorado is based on delivering the best value for our members. That's our promise to you, now and in the future.