



VISION

Recognized by our members as their most trusted financial partner; continuing to grow and adapt to changes in our membership, marketplace and environment.

CORE VALUES



TRUSTWORTHINESS



RESPECT



RESPONSIBILITY



FAIRNESS



CARING



CITIZENSHIP

MISSION

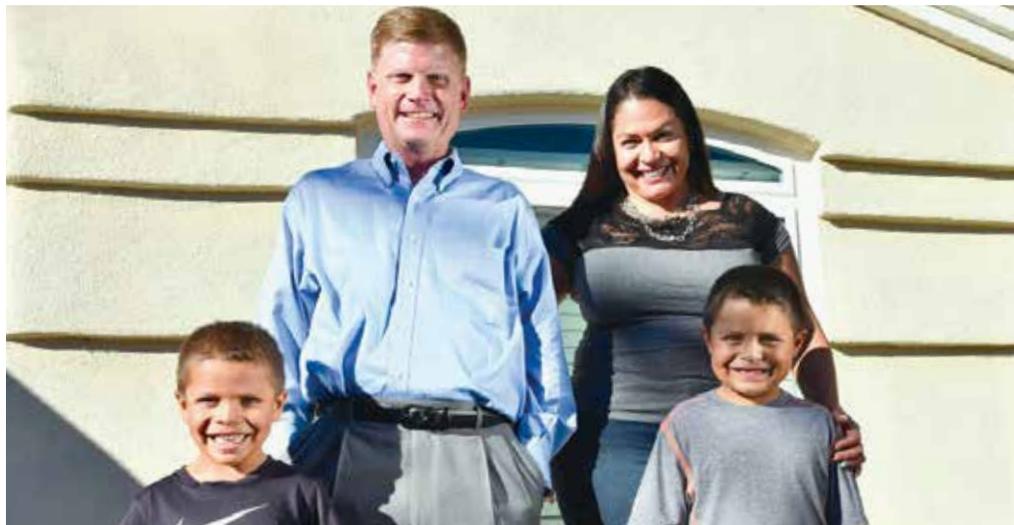
Exceed the financial service expectations of our members—principally those in the military and in organizations who support the defense of our nation.

HAVEN

Kirtland Federal Credit Union makes its 10th HAVEN Grant, helping New Mexico Veterans.

Carla Torres worked at a local television station before joining the United States Army as a chaplain assistant in 2000. Now a single parent and medically retired from the Army, Carla enjoys being a mom to two sons, ages 7 and 5. Life as a single parent is challenging. When Carla faced the need to replace all 14 windows in her home to stop the cold air from entering, the financial burden was too much to bear.

That is when Carla's Wounded Warrior advocate told her of a special grant program called HAVEN, Housing Assistance for Veterans. HAVEN is a unique grant program offered by the Federal Home Loan Bank of Dallas and affiliates, such as Kirtland Federal Credit Union, to veterans and active-duty service members who have been disabled in the line of duty since 9/11/2001. The program provides grants to support necessary home modifications.



Carla worked directly with Kirtland Federal Credit Union Assistant Vice President of Public Relations Charles Crisler, pictured above, to apply for the grant worth over \$9,000. After much anticipation, the grant was approved, which enabled replacement of all the windows in her family's home, providing great comfort for years to come.

This is the 10th HAVEN grant Kirtland Federal Credit Union has issued in partnership with the Federal Home Loan Bank of Dallas. During the past seven years, Kirtland Federal Credit Union has assisted more than 10 families throughout New Mexico contributing \$11,600, while facilitating over \$83,000 to area service members.

“ Without the grant, I wouldn't have been able to afford the new windows. The people at Kirtland FCU were absolutely amazing to work with. They were so helpful and never made me feel like they were doing me a favor. ” – Carla Torres

APPEND AUGUST 2017

Please Note: This foreword and report was written and compiled in early 2017.

In August 2017, merger discussions officially ceased after due diligence investigations revealed that a merger between Kirtland FCU and Sandia Laboratory Federal Credit Union would not have benefitted our members. As a financially solid organization with more than 5 decades of experience serving the Albuquerque community and beyond, Kirtland FCU looks to the future with excitement and positivity. Look for the 2017 Annual Report, coming in February 2018, for our new direction.

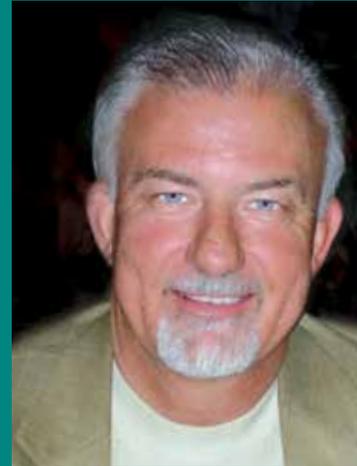
Chairman's Report

We are proud to celebrate another successful year for Kirtland Federal Credit Union and for our members. During 2016, we maintained our commitment to improving the financial well-being of our member-owners. Our goal is to be the financial partner that provides exceptional support, compelling products, and outstanding service to our members, employees, and local communities. As a Board of Directors, we are constantly searching for improvement and ways to meet those needs. To this end, the Board made a unanimous, strategic decision in late October to pursue a merger with Sandia Laboratory Federal Credit Union (SLFCU). This decision is in keeping with the fiduciary requirements levied on the Board to do what is in the best interests of our members.

The merger with SLFCU is not one of financial necessity. Both Kirtland Federal Credit Union and SLFCU are very strong financially. This partnership will help strengthen

the long-term options and resiliency of this new \$3.1 billion organization. As a larger credit union, this merger will create new opportunities for our members by providing enhanced accessibility, a broader range of products, and expanded options for service. When the merger is complete, our members will have the added convenience of an expanded branch network, as our branch network will grow from four branches to 12 in the direct Albuquerque area. Our members will continue to have free access to 142 CU Anytime ATMs located around Albuquerque and 226 in New Mexico.

Kirtland Federal Credit Union and SLFCU have similar cultures and philosophies and both serve members who have a connection related to our national defense. SLFCU's values and focus on service are consistent with ours, and we are both competitively priced.



Michael L. Chase

Later this year the members of Kirtland Federal Credit Union will vote for this merger. Choosing to pursue a merger was not an easy decision, and was not one taken lightly by the Board. It is the hope of the Board of Directors, Supervisory Committee, senior management, and staff of Kirtland Federal Credit Union, that you, our most trusted member, will carefully consider your decision and vote for our merger with SLFCU.

Michael L. Chase, Chairman

Other Board Members:

Bruce Bortner, Lawrence M. Desonier, Lyn Kirkwood, M. Brian McDonald, Dennis Robinson and Raymond Wick

Advisory Committee's Report

The Kirtland Federal Credit Union Advisory Committee, established in 1999 by the credit union Board of Directors, provides the board and senior management an opportunity to interact with representatives from Kirtland Air Force Base and the surrounding community.

The members discuss, analyze, react to ideas, and provide advice relating to such topics as marketing techniques, product needs and opportunities, and service delivery processes. Ongoing feedback such as this allows the credit union to continuously improve its way of doing

business. All active duty military committee members are Liaison Officers.

Advisory Committee Members:

Thomas F. Berardinelli, Tammie Johnson, Col. Steven Garcia, Col. Douglas T. Carroll and Col. Kenneth W. Bailey



Kirtland Federal Credit Union's Mobile Banking App receives 100% Member Satisfaction Rating

During the 2016 3rd quarter Member Engagement Survey, members unanimously ranked the Kirtland Federal Credit Union Mobile Banking App with a 100% satisfaction score. Our fully functional and secure

mobile banking app provides you quick, easy, and secure access to your account, whenever you need it. Download our free Mobile Banking app today and enjoy checking balances and viewing transactions

on the go. You may also transfer funds, pay bills, find a branch or ATM location, apply for a loan or open an account.

Supervisory Committee's Report

Consisting of three member-volunteers who provide monthly reports to the Board of Directors, the Kirtland Federal Credit Union (*Kirtland FCU*) Supervisory Committee ensures that financial statements are accurate and internal controls are effective to safeguard Kirtland FCU member assets. Additionally, the Committee adjudicates and oversees the resolution of member complaints related to Kirtland FCU procedures and services by providing an independent review and ensuring complaint resolution.

Oversight of financial operations is one of the primary responsibilities of the Kirtland FCU Supervisory

Committee. The Committee employs the CPA firm Moss Adams LLP to conduct internal audits and ensure that processes are effective toward protecting member accounts. The Supervisory Committee provides audit findings and recommendations to the Board and senior management for corrective action. An external audit firm is also employed annually by the Committee to conduct independent audits of financial statements. CliftonLarsonAllen LLP, who performed the 2015 audit, was also selected to perform the 2016 financial statement audit.

The Supervisory Committee is pleased to report that Kirtland FCU's financial assets are properly

safeguarded, and Kirtland FCU reports accurately represent its financial position; all based on internal and external audit results. In concert with the National Credit Union Administration (*NCUA*), the Committee continues to focus on cybersecurity, unauthorized access to member information, and Bank Secrecy Act compliance. In addition, financial operations and internal controls conform to Generally Accepted Accounting Principles, Kirtland FCU policies, and NCUA regulations.

Terry A. Franks, Chairman

Other Committee Members:

Kimberly Fitzgerald and Cheryl Lété

President's Report

As reported in the Chairman's message, Kirtland Federal Credit Union (*Kirtland FCU*) experienced another successful year in 2016. All indications from member and employee surveys, outside audits, and federal examinations were very positive and reflected the solid effort of a team of dedicated volunteer officials, as well as a highly engaged workforce.

So, why are we merging?

My straightforward answer is that the merger will ensure solid long-term sustainability and local control, local governance, and local management who will remain focused on all member needs.

Kirtland FCU is certainly able to be sustainable for many more decades without combining its resources with another larger credit union. However, if we go it alone, long-term success will be threatened by ever increasing competition from a wide variety of sources, constantly increasing costs due to additional regulatory compliance requirements, the persistent need to develop and improve more sophisticated products and services, and the relentless challenge of shifting our focus and resources as members choose innovative new delivery channels for financial services.

But the best reason for the merger is that the combined credit union will still be locally owned and operated solely for the benefit of members. And, there is significant value in being local. After the merger, the combined organization will still have a local board. We will have board members who live here and understand the local economy, local needs, and are directly accountable to the membership.

Management decisions will continue to be made locally based upon local criteria, and in response to the needs of local members, as well as employees who all live in our communities here in New Mexico.

We have all experienced the occasional frustration of working with huge national or regional banks. Just by their nature, they are impersonal to customers and insensitive to unique needs. Their sheer size makes them much more bureaucratic and rules-driven. Some even have call centers located outside of the United States. Smaller locally-owned credit unions are member-driven and have the ability to customize services and find solutions for their members and their families.

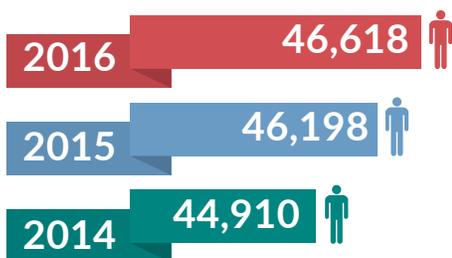


David R. Seely, CEO

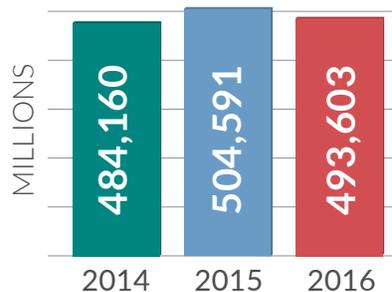
Countless Kirtland FCU members have come to love their credit union for a wide variety of reasons. Those reasons will continue well after the merger and the full integration of both organizations. In fact, members will have a wider selection of services and product choices delivered through a larger network of branches and other delivery channels. Members of both Kirtland FCU and Sandia Laboratory Federal Credit Union will be able to reap the benefits of an even larger organization that will be here locally to meet the needs of their children, grandchildren and great grandchildren.

**David R. Seely
President/CEO**

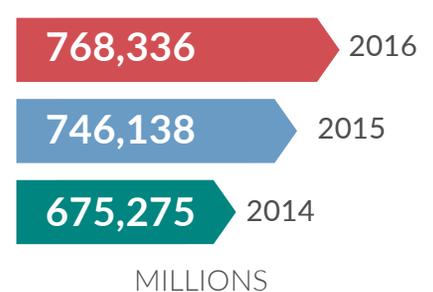
Total Members:



Total Loans:



Total Assets:





TEAM KIRTLAND

HOME

Away From Home

The credit union philosophy of **“people helping people”** has shaped Kirtland Federal Credit Union’s initiatives and values to make a positive difference in the communities we serve.

As we support local causes and give back in more ways than one, there is a deep-rooted connection to the brave young men and women serving at Kirtland Air Force Base.

Newly formed, the **Team Kirtland Home Away From Home** program matches first-term airmen with volunteer civilian host families who will provide hospitality, recreation and a warm welcome to our community.

For host families, the opportunity to befriend first-term airmen throughout their Kirtland Air Force Base tour is

“For host families, the opportunity to befriend first-term airmen throughout their KAFB tour is a rewarding experience and a great way to give back to the community.”

a rewarding experience and a great way to give back to the community. Often, these matches result in life-long bonds of friendship.

Interested civilian families are matched with Kirtland Air Force Base enlisted airmen who have recently completed technical school, or enlisted airmen attending a school at Kirtland Air Force Base. Host families serve as mentors, friends and advisors, and engage airmen in family, community, and recreational activities—providing a home away from home.

The activities host families and airmen enjoy together are varied but might include home-cooked meals, attending Lobos or Isotopes games, hiking, fishing, golf or other outdoor activities, and attending holiday or



worship events. Families and airmen are matched based on mutual interests and typically see each other one to two days per month.

To learn more about Team Kirtland Home Away From Home or to apply today, visit **TeamKirtlandHAFH.org**.

Statements of Operations

December 31, 2016 and 2015

INTEREST INCOME	2016	2015
Interest on Loans	21,846,940	21,913,734
Interest on Investments	3,924,132	2,696,943
Total Interest Income	25,771,072	24,610,677
INTEREST EXPENSE		
Dividends on Members' Share and Savings Accounts	3,125,125	3,127,774
Interest on Borrowed Funds	1,190,775	566,817
Total Interest Expense	4,315,900	3,694,591
Net Interest Income	21,455,172	20,916,086
Provision for Loan Losses	3,777,671	3,765,400
Net Interest Income After Provision for Loan Losses	17,677,501	17,150,686
NON-INTEREST INCOME		
Fees and Charges	2,338,766	2,316,055
Other Non-Interest Income	3,406,353	3,480,587
Total Non-Interest Income	5,745,119	5,796,643
Total Income	23,422,620	22,947,329
NON-INTEREST EXPENSE		
Compensation and Benefits	9,663,728	9,255,780
Occupancy	887,777	848,769
Operations	5,884,550	5,679,590
Professional and Outside Services	1,234,003	1,154,419
Other Expense	306,093	365,077
Total Non-Interest Expense	17,976,151	17,303,636
Non-Operating Gains (Losses)	925,689	713,278
NET INCOME		
Total Net Income	6,372,158	6,356,972



Statements of Financial Condition

December 31, 2016 and 2015

ASSETS	2016	2015
Loans to Members, Net of Allowance for Loan Loss	489,632,609	500,588,917
Cash and Cash Equivalents	38,765,265	34,355,874
Investment Securities		
Held-to-Maturity	217,722,178	181,791,779
Other Investments	4,386,358	9,551,975
Accrued Interest Receivable	2,133,462	1,914,491
Premises and Equipment	6,539,367	7,066,735
NCUSIF Deposit	5,747,124	5,560,488
Deferred Compensation Investment	0	2,671,624
Other Assets	3,409,489	2,636,309
Total Assets	768,335,852	746,138,193
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' Share and Savings Accounts	610,763,519	592,145,066
Accrued Interest Payable	267,903	268,412
Accrued Expenses and Other Liabilities	57,260,439	60,057,524
Total Liabilities	668,291,861	652,471,001
Members' Equity		
Regular Reserve	7,713,660	7,713,660
Undivided Earnings	92,330,331	85,953,532
Total Members' Equity	100,043,991	93,667,192
Total Liabilities and Members' Equity	768,335,852	746,138,193

COMMUNITY OUTREACH

As a not-for-profit financial cooperative, Kirtland Federal Credit Union is committed to serving the greatest needs of our community where our members and employees live and work. Through the contributions of our time, our money and our services, we believe in the positive impact of investing in our communities and supporting the groups that make a meaningful contribution to those in need.

PB & J FAMILY SERVICES



2
FAMILIES
ADOPTED
\$1,230

New Mexico Cancer Center
New Mexico Bio Park Society
Make-A-Wish Foundation
Watermelon Mountain Ranch
Operation Gratitude

UNITED BLOOD SERVICES NM

22 UNITS
COMMUNITY BLOOD DRIVE



CELL
PHONES
FOR
SOLDIERS

305
CELL PHONES
18,300
MINUTES

ROADRUNNER FOOD BANK

49,146
POUNDS OF FOOD

Paws & Stripes
Making Strides Against Breast Cancer
New Mexico Veteran's Integration Centers
Daffodil Days for Presbyterian Hospice



\$44,979
EMPLOYEE
FUNDRAISING



Kids Matter
 Walk to Defeat ALS
 Van Buren School
 Supply Drive
 Ronald McDonald House
 Toys for Tots

\$97,000
**KIRTLAND AIR
 FORCE BASE
 75TH ANNIVERSARY
 AND AIR SHOW**

**UNITED
 WAY
 CAMPAIGN**

\$47,161

**FINANCIAL
 EDUCATION
 CLASSES**

2800
 STUDENTS IN
33
 CLASSES

\$3,600
 SCHOLARSHIPS

ndi

NEW MEXICO

\$10,000
 BENEFITING
 SANDIA BASE
 ELEMENTARY
 SCHOOL

