





Vision

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



Whether it's helping members achieve homeownership, better manage their debt, or making day-to-day banking quick and easy, we're striving to be a partner in our members' lives. Because it's not about a mortgage, a credit card, or a savings account—it's about saving time, reducing stress, and empowering members to take control of their own financial lives.

This year, we're excited to be celebrating 60 years of strength and commitment. In 1958, Kirtland Federal Credit Union was dreamed and realized by ten Airmen from Kirtland Air Force Base who wanted

to offer the base's military members a savings and loan option that understood their unique needs. From those humble beginnings, Kirtland FCU has grown into a comprehensive financial institution committed to empowering every member to achieve their dreams with the best programs and intuitive, unparalleled member service.

We remain committed to Kirtland Air Force Base and have expanded to serve many facets of our community throughout Albuquerque, New Mexico, and worldwide. We can't wait to see where we grow in the next 60 years.

Core Values

 Trustworthiness

 Respect

 Responsibility

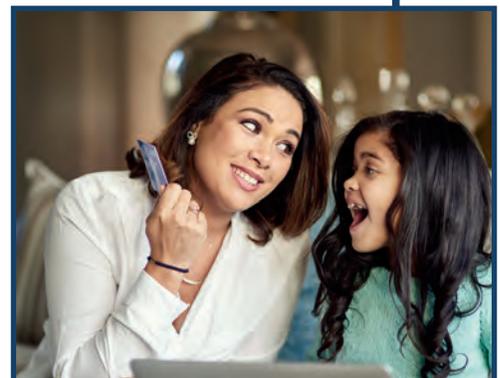
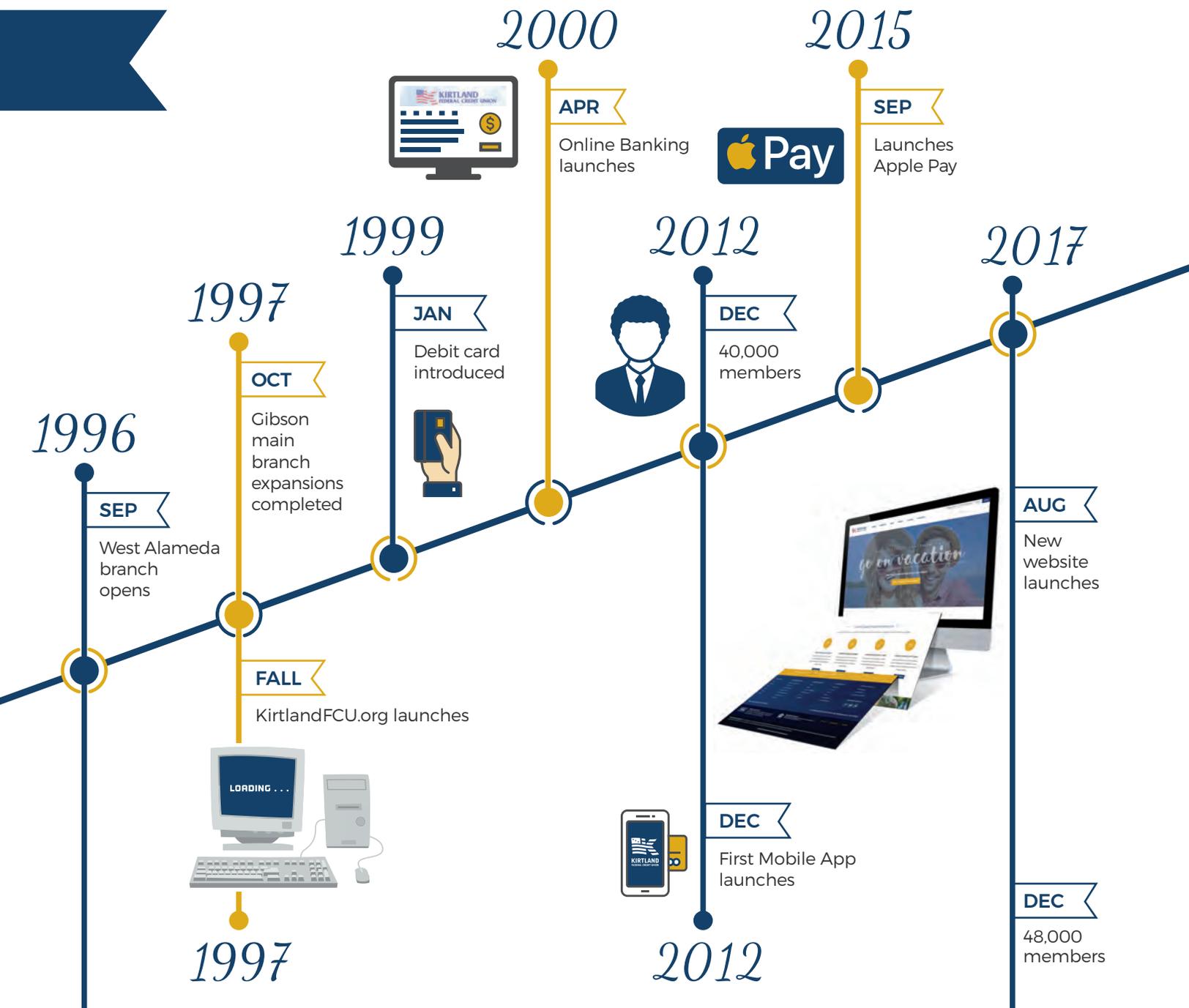
 Fairness

 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.



Chairman's Report

This year marks Kirtland Federal Credit Union's 60th anniversary—60 years of outstanding service to our members and 60 years of rock-solid support for the military community of Kirtland Air Force Base. After such success, you'd think we have little to change. But as our environment changes, so must we; and change is what defined Kirtland FCU in 2017.

We began 2017 with bright expectations in the midst of merger discussions with Sandia Laboratory Federal Credit Union. The Board of Directors entered into the merger agreement as a way to increase our ability to better serve our members, while expanding our range of services and also to enable us to continue taking care of our employees by expanding opportunities for growth and promotion.

As merger talks proceeded, the Board continually evaluated our progress toward those goals, as we had a duty to ensure the preservation of our members' access to the best financial products and services, the sanctity of our employees' work environment, and the continuation of outreach to the men, women, and missions of Kirtland AFB and the community.

As the process drew to a close, it became clear to the Board that the merger wasn't the best option for our members, for our workforce, or for continued support for Kirtland AFB. So, with unanimous agreement, the Board decided to discontinue merger proceedings in July. We already knew Kirtland FCU was strong financially. It became apparent during this process that change would be required to ensure our growth and strength.

When merger talks ended, the Senior Leadership Team began developing a bold new vision and strategic plan for Kirtland FCU's future success. After the team presented its vision and plan, the Board was eager to get started. With the current President on terminal leave pending his retirement on March 1, 2018, the Board and Senior Leadership Team began charting a paradigm shift in who we are and where we are going as a credit union—change has already begun. You may have noticed some of these changes, and many more are coming.

We remain committed to serving our members, taking care of our employees, and supporting the men and women of the military



Michael Chase
Chairman, Board of Directors

and Kirtland AFB. Our future is brighter than ever, and the opportunities for growth are abundant. We're poised on the brink of an unprecedented period of prosperity in 2018 and the years ahead.

On behalf of the Board of Directors and the Supervisory Committee, I would like to thank our employees for their hard work, resilience, and commitment to serving our membership. We realize the last year has been difficult and emotional; your efforts and experiences have not gone unappreciated. I would like to thank every member of Kirtland FCU. We have the best owners in the industry, and none of our past or future success would be reality without you.

We're proud to empower the financial independence of our members, and as always, we're proud to be of service.

Other Board Members:

Lyn Kirkwood, Brian McDonald, Cheryl Lété, Ray Wick

Advisory Committee's Report

The Kirtland Federal Credit Union Advisory Committee, established in 1999 by the credit union's Board of Directors, provides the board and senior management an opportunity to interact with representatives from Kirtland AFB 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 Berardinelli
Col. Steven Garcia
Tammie Johnson*

President's Report

This is my first of what I believe will be many annual reports to come. The whirlwind of change that has brought me to this position of President and CEO has been both refreshing and exciting. I must thank every member of the Board of Directors for their confidence in me as I transition into my new leadership role of this great organization. After spending 24 years at Kirtland FCU in a variety of positions and areas, I am prepared and honored to lead this storied credit union.

I must also thank the members of our Senior Leadership Team. After the cessation of merger proceedings, they gathered together, rolled up their sleeves, and went straight to work planning the future of this credit union. The results of their hard work and their combined experience

and knowledge have illuminated a path forward that will keep this credit union strong for years to come. We also have an amazing team of employees who are ready to carry out this new vision. Their enthusiasm and empathy are unrivaled, and we will rely on them to help build the future that lies ahead.

I'm excited and proud to celebrate our 60th anniversary this year. Companies do not endure for more than half a century by being anything less than dedicated and innovative. Kirtland FCU has built a proud legacy, serving the needs of the men and women of Kirtland AFB, our nation's military, and others among the more than 47,000 members who live and work locally, regionally, across the nation, and even worldwide.



Tom Shoemaker
Interim President/CEO

From everyday banking and loan services to Kirtland Financial Services—our fast-growing and talented team of Wealth Management Advisors who help members plan for their financial futures—we're rock-solid for our members. Learn more about Kirtland Financial Services on page nine.

Members, thank you. Your tremendous loyalty, year after year, is a credit to the history of Kirtland FCU as we celebrate this momentous milestone together. Everything we do is designed to empower your financial independence; I can't wait to see what we will accomplish together in the next 60 years.

Supervisory Committee's Report

The Kirtland Federal Credit Union 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 concerning Kirtland FCU procedures and services. They provide an independent review and ensure complaint resolution. Your four-member committee—all volunteers—provides monthly reports to the Board of Directors and to the senior management team concerning these issues.

To ensure assets are protected, 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 effectively protecting member accounts. The Supervisory Committee provides audit findings and recommendations to the Board and senior management for corrective action. CliftonLarsonAllen LLP is also employed by the Committee to conduct annual independent audits of financial statements.

The Supervisory Committee is pleased to report that Kirtland FCU's financial assets are properly safeguarded, and 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
Michelle Perea
Stephanne Smith

Statements of Operations

December 31, 2017 and 2016

	2017	2016
Interest Income		
Interest on Loans	21,220,591	21,846,940
Interest on Investments	5,245,773	3,924,132
Total Interest Income	26,466,364	25,771,072
Interest Expense		
Dividends on Members' Share and Savings Accounts	3,468,783	3,125,125
Interest on Borrowed Funds	2,101,100	1,190,775
Total Interest Expense	5,569,883	4,315,900
Net Interest Income	20,896,481	21,455,172
Provision for Loan Losses	3,563,891	3,777,671
Net Interest Income After Provision for Loan Losses	17,332,590	17,677,501
Non-Interest Income		
Fees and Charges	2,099,461	2,338,766
Other Non-Interest Income	3,578,554	3,406,353
Total Non-Interest Income	5,678,015	5,745,119
Total Income	23,010,605	23,422,620
Non-Interest Expense		
Compensation and Benefits	10,466,336	9,663,728
Occupancy	963,476	887,777
Operations	5,393,736	5,884,550
Professional and Outside Services	1,301,025	1,234,003
Other Expense	392,464	306,093
Total Non-Interest Expense	18,517,037	17,976,150
Non-Operating Gains (Losses)	804,053	925,689
Net Income		
Total Net Income	5,297,621	6,372,158

Total Members:



2015
46,198



2016
46,618



2017
48,329

Statements of Financial Condition

December 31, 2017 and 2016

Assets	2017	2016
Loans to Members, Net of Allowance for Loan Loss	520,561,558	489,632,609
Cash and Cash Equivalents	16,370,560	38,765,265
Investment Securities		
Held-to-Maturity	—	217,722,178
Other Investments	228,771,496	4,386,358
Accrued Interest Receivable	2,358,236	2,133,462
Premises and Equipment	6,354,599	6,539,367
NCUSIF Deposit	6,098,285	5,747,124
Other Assets	1,551,821	3,409,489
Total Assets	782,066,555	768,335,852
Liabilities and Members' Equity		
Liabilities		
Members' Share and Savings Accounts	628,965,482	610,763,519
Accrued Interest Payable	308,804	267,903
Accrued Expenses and Other Liabilities	51,201,304	57,260,439
Total Liabilities	680,475,590	668,291,861
Members' Equity		
Regular Reserve	7,713,660	7,713,660
Undivided Earnings	93,877,305	92,330,331
Total Members' Equity	101,590,965	100,043,991
Total Liabilities and Members' Equity	782,066,555	768,335,852

Total Assets:



2017 782 Million
2016 768 Million
2015 746 Million

Total Loans:



2017 525 Million
2016 494 Million
2015 505 Million

Giving Back To The Community



New Mexico Museum
of Natural History

\$10,000



Kirtland Air
Force Base

\$62,000



United Way of
Central New Mexico

\$36,300



Veteran
Support

\$10,000



Roadrunner
Food Bank

\$4,600



Education &
Local Schools

\$6,200



Employee
Donations

\$7,300

Charities and Organizations Helped by Kirtland FCU Employees:

Boxer Rescue	NM Cancer Center Foundation
Carrie Tingley Hospital	NM Kids Matter
Cuidando Los Ninos	Operation Gratitude
Freedom Dogs	Paws & Stripes
Make-A-Wish Foundation	Watermelon Ranch
NM BioPark Society	Wild Spirit Wolf Sanctuary

KIRTLAND FEDERAL CREDIT UNION

Has Given Back More Than \$211,000

FINANCIAL INDEPENDENCE IS

Our Commitment



WEALTH MANAGEMENT SERVICES

No matter your dream, the Wealth Management Advisors at Kirtland Financial Services promise to work closely with you and your family to provide individualized, objective, and trusted guidance for all your financial planning needs. Every service we offer, every conversation we have, and every handshake we share is about helping you work toward your goals.



KirtlandFCU.org | 505.254.4363

Securities and advisory services offered through LPL Financial, a registered investment advisor; Member FINRA/SIPC. Insurance products offered through LPL Financial or its licensed affiliates.

Not NCUA Insured

No Credit Union Guarantee

May Lose Value