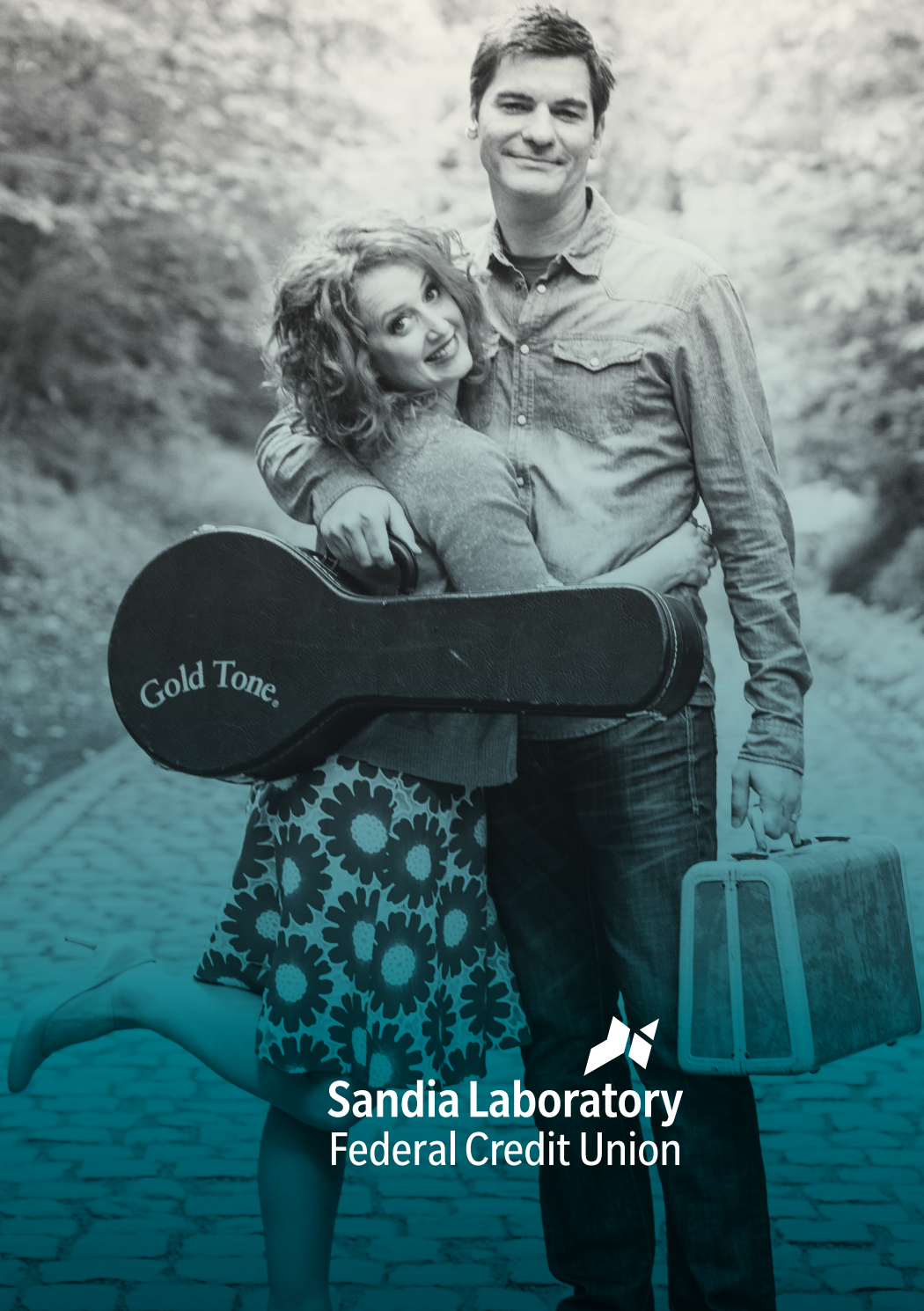


2016

ANNUAL REPORT

ADDING **VALUE** TO YOUR FINANCIAL LIFE



**Sandia Laboratory
Federal Credit Union**

2016 Board of Directors



1. Tazmin Ralph, Chairperson

SNL, Financial Policy and Compliance Accountant

CPA with experience in financial, compliance, contract, and internal auditing; cost/price analysis; management consulting; and project management. Served on and chaired SLFCU Supervisory Committee prior to serving on the board.

2. Evelyn Serna, Vice Chairperson

SNL, Director - Business Management Operations

Experience includes more than 22 years at SNL as a program business manager and senior business manager and prior work as a CPA. Served on SLFCU Policy and Planning and ALCO committees prior to election to the board in 2012.

3. Chuck Maheras, Secretary/Treasurer

SNL, Employment, Staffing, and Recruiting Manager

More than 20 years creating, managing, and directing Human Resources programs. Six years in commercial banking overseeing operations and lending. Served on SLFCU committees for 11 years including ALCO, Volunteer Development, Governance, and Supervisory.

4. Mark N. Allen, Board Member

SNL, California, Senior Administrator

Twenty-five years of private sector experience prior to joining Sandia in 2004. Background in engineering and operations; executive management positions in venture capital-funded and Fortune 500 firms. Serves on the ALCO Committee; past member of Governance, Volunteer Development, and Nominating committees.

5. Evan Ashcraft, Board Member

SNL, Investment Manager, Pension & Savings Plans

Diverse work experience includes investment management, compensation, information systems, policies and procedures, and internal auditing.

6. Joseph Fink, Board Member

US Air Force, retired

MA, BA, and SPHR with human resources management, product development, procurement, and purchasing background and advises companies in leadership, management, and strategic planning.

7. Kim Hedrich, Board Member

SNL, Prime Contract Strategic Specialist

Diverse background includes business development, management, and entrepreneurial experience in such industries as insurance, financial securities, solar energy/fiber optics manufacturing, and government, specializing in compliance, risk management, project management, and infrastructure development.

8. Kevin McMahan, Board Member

SNL, Nuclear Waste Disposal Research and Analysis Department Manager

Six years bank card collections management. Served on and chaired SLFCU Supervisory Committee prior to election to the board in 2006.

9. Jamie Morris, Board Member

SNL, California, Project Manager

Work experience includes supply chain management, research and development project management, and procurement/contract negotiation. Served 12 years on the SLFCU Supervisory Committee prior to election to the board.

10. Robert Chavez, President/CEO

Thirty years experience in financial institutions, including the last 17 years at SLFCU. Serves on the Federal Reserve Bank of Kansas City's Community Depository Institutions Advisory Council, a Regional Advisory Committee for the National Association of Federal Credit Unions, and the Board of CO-OP Financial Services. Former board member for the Credit Union Association of New Mexico.

SPECIAL DIVIDEND ADDED TO ACCOUNTS

Tazmin Ralph, Board Chairperson: For nearly 10 years we have been conservatively preserving capital due to the slow economy. In 2016 the economy seemed to have finally turned a corner, and the Board wanted to give something back to the members. Since 2007, the low rate environment has greatly benefited borrowers while penalizing savers. Although SLFCU's share savings rates have always been competitive in the marketplace, the economic environment has prevented us from paying the higher dividends of previous years.

SLFCU continued to perform well during the economic downturn. We managed revenue and credit quality challenges well and tightly controlled expenses, building our capital reserves to 11.24%. Seven percent is considered well-capitalized; the Board target is 10.50%. After awarding the special dividend, SLFCU's reserves were just under 11.00%.

Robert Chavez, President/CEO: SLFCU last paid a special dividend in the amount of \$3 million in 2007. It had been a long time, and the Board and SLFCU staff were excited to be able to give back to our members.

Why didn't we just raise SLFCU's dividend rates? Because the Credit Union doesn't need to attract more deposits. With a loan-to-share ratio of 56%, SLFCU has been focused on increasing loans, rather than deposits, for more than a decade.

The response has been wonderful - we've received so many positive comments and notes of appreciation. When a credit union does well, its members do well, and we're proud to give back to our members.

PROPOSED MERGER



*David Seely, President/CEO of KFCU,
Michael Chase, KFCU Board Chair,
Tazmin Ralph, SLFCU Board Chair,
and Robert Chavez, President/CEO of SLFCU,
signed the merger agreement in October.*

Chavez: In October, SLFCU and Kirtland Federal Credit Union (KFCU) announced our intent to merge, a proposed arrangement that would greatly benefit both organizations. SLFCU and KFCU share characteristics that make them a good fit - both are locally managed, locally owned organizations serving members who support the defense of our nation,

and both share a focus on outstanding service and competitive pricing. Not only will the members and employees of KFCU continue to benefit from being part of a locally managed and governed organization, but jobs will stay here in Albuquerque, and the greater metropolitan area will benefit by having a larger organization focused on investing in the community.

The differences and diversity the merger would provide are also important. KFCU has products that SLFCU doesn't offer, such as Federal Housing Administration (FHA) and Veterans Affairs (VA) loans, and a membership with more borrowing needs. In addition, because KFCU doesn't do business lending, our combined assets would raise our business lending cap. Credit union business lending is generally limited to 12.25% of an organization's total assets, and SLFCU is nearing that cap. As a combined organization with more than \$3 billion in assets, an additional \$90 million in business loans could be originated. This could make a significant positive impact on the state's economy.

Ralph: It's important to note that both financial institutions are strong.

(Continued on page 4)

GOOD NEIGHBORS

David Stout joined SLFCU in 1976 after starting a new job with Sandia National Laboratories. He had just left the military and was interested in buying a house with his wife.

"The bank didn't want to finance my mortgage because I had just gotten out of the military, and to them, I seemed unreliable," David remembers. "We decided to check out SLFCU, and the process was much simpler. So we closed our accounts with the bank and have been with the Credit Union ever since."

David has worked at the Labs for 34 years and has lived in Edgewood since 1979. Now retired, he and his wife are pleased they can take care of all of their financial needs close to home. "The new Edgewood branch really portrays what SLFCU is all about - very

nice, friendly, open, and now it has safe deposit boxes," David says. "It's for the people, just closer to home."

When David found a truck he wanted to purchase, he had a few questions about getting an auto loan, and he sought out Teller/Financial Service Officer Darla Russell. "I sat down to talk to her, and within minutes it was done. She ran my credit report and got me qualified," he says, "and the loan was approved and money was in the account all within 15 minutes!"

The friendly staff and a small town feel in Edgewood impress David. "I'm from a small town, and it reminds me of that small town atmosphere. The staff are good people, someone you can always go to in order to get advice on all sorts of loans. They are looking out for our interests, not just theirs."



Both credit unions will spend the next few months on due diligence, a close examination of what it would take to combine the two organizations. Once the due diligence process is complete, the possible merger will require regulatory approval by the National Credit Union Association (NCUA) as well as the approval of Kirtland's membership. Nothing will be final until the merger is approved by the NCUA, the regulatory body for credit unions, and a vote of KFCU members.

The credit union world is becoming increasingly competitive and consolidated. Following careful analysis and discussions, both institutions' Boards of Directors

have unanimously approved this partnership and signed a resolution to merge to position the new combined organization for the future. Combining the best of both organizations will result in a credit union with expanded products and services, combined technology and personnel skills, and greater diversification of membership.

We're optimistic about the proposed merger - this is an opportunity to expand and diversify in a thoughtful way. And we're committed to remaining focused on maintaining and improving the experience for all of our members.

CARD ENHANCEMENTS

Chavez: Members with an SLFCU card in their wallets know we made significant changes to debit and credit cards in 2016. We reissued both types of cards

with Europay, MasterCard, and Visa (EMV) chips to better protect against fraud - a significant undertaking that involved more than 65,000 credit and debit



cards. CO-OP Financial Services, SLFCU's debit card processor, had seen fraud losses increase by more than 300% in 2016, so it was imperative that we issue chip cards to our members as quickly as possible.

Ralph: In addition to issuing credit cards with EMV chips, we also converted the old Visa Classic and Gold credit cards to Visa Signature® and Platinum® credit cards with better benefits and, for most members, higher rebates and lower rates. Like all of our products, our credit cards are designed to be part of a complete, competitive financial package that is positioned for overall value.

SLFCU credit cards are reliable, straightforward cards with benefits designed to appeal to our members, backed by SLFCU service. Whenever you have a question about your SLFCU card or a concern about a

transaction, you're speaking to an SLFCU representative who is dedicated to helping you.

You can register your SLFCU credit cards with Apple Pay®, Android Pay™, and Samsung Pay. Paying with a mobile wallet makes your transactions faster and provides additional layers of security. Apple Pay can also be used with SLFCU debit cards; we hope to offer Android Pay and Samsung Pay for debit cards in the near future.

Chavez: In late 2016 we also began feeding live credit card data into CU@home® Online banking. Previously, the credit card data in online banking ran a day or two behind; this information was something members have been requesting, so we're pleased to make this improvement.

FAMILY VALUE

SLFCU's \$5 Bonus special offer for new youth accounts was the perfect way for Kevin Maki to reinforce the financial lessons he and his wife Kenyata impart to their children.

Kevin joined SLFCU in 1993 as a summer intern for Sandia National Laboratories in Albuquerque. A New York native, he intended to complete his PhD at Cornell University and then return to work at the Labs.

Instead, it was nearly a decade later that Kevin returned to his SLFCU membership. In 2002, he moved to the Bay Area with his wife and two children and needed cash to rent an apartment. He remembered SLFCU had branches just 20 miles away in Livermore, California. "It was an 'aha' moment. Don't walk away just because I'm not in Albuquerque," he told himself.

Since then, Kevin and Kenyata's family has grown to six boys, triplet girls, and one more baby boy; their oldest son is 16 and just earned his first paychecks from a summer job. Kevin and Kenyata make sure their kids have regular opportunities to think about saving and spending money as part of their home schooling.

"We'll give the older boys \$5 in the morning, and throughout the day, take \$1.25 for rent, 35 cents for utilities, and so on," Kevin says. "One day equals one month. At the end of the day, there might be only 25 cents left, and they get to keep it." The exercise provides opportunities to talk about budgeting and making sure money is left at the end of each "month."

"I also offer bonuses for tough chores, like cleaning the bathroom or the van," Kenyata says, "to teach them the value of work."

Eight of the Maki children opened their own share savings accounts in August, taking advantage of SLFCU's offer to match the first \$5 in each account. The children 12 and younger also picked up Savings Laboratory notebooks to collect stickers for each deposit they make.

"I want to convey to my children that SLFCU offers unique and different products," Kevin says. It's a partnership, he says, that will provide good opportunities for them in the future.

IN TUNE WITH SLFCU

SLFCU members Alexa James and Rory Partin are The ROAMies, an Americana-Folk-Pop band with an acoustic sound. “We sing about the ups and downs in a relationship and in life,” says Alexa, “about persevering through hardships and holding on to hopes and dreams.” The happily married couple both grew up with music and eventually blended their unique backgrounds to create The ROAMies. The band regularly tours in the United States and Europe.

Alexa opened her account with the Credit Union when she was in high school, through her father who worked at Sandia National Laboratories. “I was starting to do some singing and began receiving a little bit of income,” she says. “It was good for me to gain some practice in keeping my ‘business’ income separate from any ‘personal’ income.” SLFCU helped Alexa set up two checking accounts, one for personal use and one for her singing.

When they married, Rory became a joint owner on Alexa’s accounts at SLFCU, and as their music careers grew, so did their relationship with the Credit Union. They opened a business account for The ROAMies soon after.

“Since we’re musicians, we’re not wired to be business savvy. Therefore it takes a lot of extra work and energy on our part to deal with finances and keep things organized, which is one of the reasons we love SLFCU,” says Alexa. “The online and mobile tools are so helpful because we’re able to bank wherever we travel.”

The couple says that while many banks might offer similar services, SLFCU provides something above and beyond. “SLFCU provides a feeling of safety and home,” Alexa says. “It feels personal and cozy. It’s a group of special people with common interests. And with SLFCU we enjoy better security and business practices versus other larger national bank chains.”

The ROAMies take advantage of SLFCU Business Mobile to deposit checks and track finances while traveling, as well as bill payment features and direct deposit to receive concert fees and radio royalties. They also appreciate SLFCU’s credit card, noting that “there aren’t weird fees and hassles, or confusing calculations, and we like the added benefits, which have allowed us to avoid additional rental car fees.”

Alexa says, “SLFCU gives us a comfortable home base that we can always rely on and return to no matter where we ROAM.”

Photo by Freya Goossens



Gold Tone.

INVESTING IN SLFCU

Ralph: The Credit Union opened its new Edgewood branch in January 2016, replacing the temporary branch that opened in 2007. The impact has been phenomenal. It's our fastest-growing branch in terms of members and accounts. It's the only free-standing financial institution in Edgewood and represents our commitment to the community. The new branch has multiple drive-up lanes, safe deposit boxes, a growing staff, and a community room that gets a lot of use.

During the next five years we'll shift our focus from building branches to investing more time, energy, and money on technology improvements. We need to remain relevant and provide a great online and mobile experience and otherwise keep up with industry technology. In 2016, we began working toward major improvements in our core operating system as well as mobile and online banking. The core upgrade will help employees be more efficient when serving members. Online and mobile banking improvements will have an even more direct impact on members. In the end, both are investments that will improve usability and member experience. Work on these projects will begin in earnest in 2017 and be completed in 2018.



Board members, staff, and town dignitaries cut the ribbon at the new Edgewood branch in February.

Chavez: The Credit Union completed technology upgrades in our mortgage and consumer lending departments in 2016.

In mortgage lending, a new system allows us to escrow for mortgage accounts. Historically, members preferred to manage payment of their insurance and tax bills on their own, holding those funds in their own accounts and earning interest until they were due.

When SLFCU began working toward offering fixed rate mortgages, one of the first steps was implementing the

ability to manage escrow accounts, which are required for loans sold in the secondary market. We found that many members appreciated the convenience of an escrow account; their insurance and tax bill expenses are divided into smaller amounts, and they can rely on SLFCU to make their payments on time.

The next big, and final, step is the introduction of SLFCU fixed rate mortgages, planned for spring 2017. To protect the Credit Union from the risks of holding long-term, high-balance loans, we won't keep any fixed rate loans with terms longer than 15 years on SLFCU's balance sheet; they'll be sold. All mortgages originated at SLFCU – both fixed and adjustable rate loans, regardless of loan term – will be serviced by SLFCU. This means your payments will be made to SLFCU, and when you have a question, you're talking to the staff you know and receiving the service you expect.

In consumer lending, we launched a new system that greatly improved efficiency in approving applications for auto loans and credit cards. If a member starts a loan application in the branch but doesn't have all of the information they need, they may upload documents to the new system from home.

Our 2016 auto loan promotion was also extremely competitive, particularly for car buyers looking for longer terms and lower payments. The new system allowed our lending staff to close loans faster and keep up with demand.

Ralph: SLFCU had another strong year of membership growth among youth and young adults, adding 3,990 new members in those segments. Aging members tend to be savers rather than borrowers, so it's important that we continue to attract younger members.

In the spring, SLFCU made a big change to its Savings Laboratory program, designed to encourage savings habits and financial responsibility in our youngest members. Children 12 and under can collect stickers in a Savings Laboratory notebook for making deposits and redeem their filled notebooks for gift cards or movie tickets. It's a great way to get young members thinking about what it means to set financial goals, and our staff enjoys talking to them about the prizes they're saving for.



SUPPORT FOR SCHOOL

Caroline Stapleton was one of 12 recipients of SLFCU's 2016 Scholarship. A student of Communication Disorders at New Mexico State University, she hopes to pursue a Master's Degree in Speech Language Pathology when she graduates in 2018. Although she received a scholarship at New Mexico State that helps pay for her tuition, Caroline is responsible for other necessities such as textbooks, housing, and food. "This scholarship allowed me to diffuse some of the cost for expensive textbooks, which was a huge relief," Caroline says.

Caroline's decision to pursue her area of study was influenced by her own experiences with speech therapy when she was a child. "The speech therapist was very sweet and determined," Caroline says. "I want to be able to help others the way that she had helped me."

Her interest in helping others isn't limited to her career plans. Caroline has volunteered with various

organizations in Las Cruces as part of her Spanish class and participates in Autism Speaks events organized by her sorority, Alpha Xi Delta. "My sorority encourages all its members to realize their potential, and I have been able to do this through various volunteer activities," Caroline says. "Helping others brings me so much joy, and I plan on continuing this throughout my lifetime."

Caroline has had an account with SLFCU and has understood the importance of saving money from an early age. "I have been saving since I was little," she says, "so that I could use those savings towards my future education." These days, she also has a checking account and a credit card with SLFCU. The checking account, she says, helps her keep track of her spending money, and the credit card is essential in case she has an emergency while she's away at school.

A CHANGING ECONOMY

Chavez: There was talk at the end of 2015 of rates rising in 2016, and despite positive changes in economic indicators, rates stayed low for most of the year. In December 2016, the Federal Reserve finally raised rates by 0.25% – a move that signifies confidence in the improving economy. In the month following the presidential election, the Ten Year Treasury increased by 0.45%. As more indicators start to turn and the economy continues to improve, SLFCU hopes to make more, higher-yielding, good quality loans while reducing the amount invested in lower-yielding, government-issued investment securities.

Unfortunately, despite promising national news, New Mexico's economic outlook is still somewhat tepid. The oil and gas and agricultural sectors are struggling, which impacts state revenue and the ability to fund state-run programs that help people through tough times. New Mexico has the second-highest unemployment rate in the country, and we're seeing outmigration of our state's population as many leave for jobs in other regions. In California, however, the economy and housing market are almost back to pre-2008 levels.

SLFCU and its members have been somewhat insulated from these issues. Defense spending has been steady. SLFCU carefully managed its margins through the downturn, and our members continue to be responsible stewards of their finances. It's a tribute to

our members that during this time, their overall credit quality has improved and charge-offs have fallen. SLFCU is pleased to have been able to continue providing members high-quality, money-saving products and services during this challenging time.

Ralph: Business services – loans, savings products, merchant services, and so on – are another way the Credit Union supports the economy. As one of the only locally based business lenders, SLFCU Business fills a void in the Albuquerque market. By handling things locally, SLFCU can make loan decisions faster, keeping small businesses running, creating jobs, and sustaining growth.

The business loan portfolio contributes immensely to SLFCU's overall financial health. Business loan yields are typically greater than retail loans – an average of 5% – and they generate more non-interest income. The credit quality of our loans is extremely strong. Out of a \$220 million business loan portfolio, currently only three loans are more than 30 days past due. Our loan originators are skilled, and our favorable reputation means SLFCU can choose to fund only the best opportunities.

In 2016 we also made our business services more convenient for these members by introducing a Business Online mobile app.

THE CREDIT UNION DIFFERENCE

Chavez: Wells Fargo made headlines in 2016 for their sales incentive structure that led to abuse at many levels of their organization. I want to assure members that we don't operate that way. SLFCU is truly all about what's best for the member, not about sales incentives. Employees are trained to recognize and understand member needs by listening for clues and offering solutions that are in the member's best interests.

As a not-for-profit, member-owned financial cooperative, it's our mission to put members first, and that can take many forms – offering competitive rates on loans and savings accounts, keeping fees low, and supporting the community. Our focus is on people, not profits.

SLFCU IN THE COMMUNITY

SLFCU staff and members demonstrated their commitment to community service and support through these causes:

The Albuquerque Public Library Foundation
Albuquerque Speech Language Hearing Center
APS School Supply Drive
ARCA
Bethel Community Storehouse
Casa Esperanza
CLNkids
Habitat for Humanity
Leukemia & Lymphoma Society
National Alliance on Mental Illness
National Dance Institute New Mexico
New Mexico Philharmonic
New Mexico School for the Blind & Visually Impaired

Pinto Pride Foundation for Academic Enrichment
Rio Grande Food Project
Rio Grande Valley NM Blue Star Mothers
Roadrunner Food Bank
Shoes for Kids
SLFCU Scholarship
Tri-Valley Haven
USCF Benioff Children's Hospital Oakland
United Way
UNM Children's Hospital
Walkin N Circles Ranch
Wildlife West Nature Park



SUPERVISORY COMMITTEE

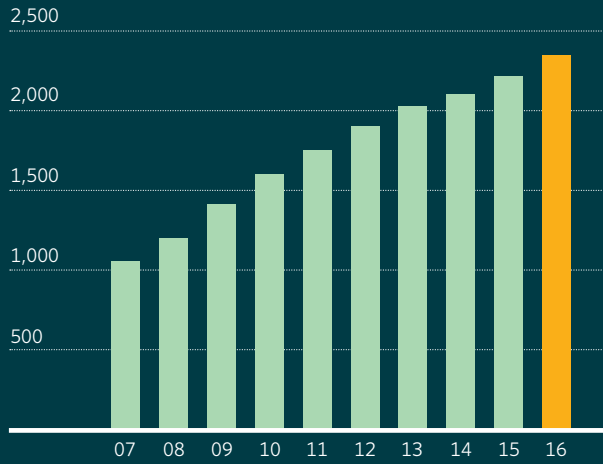
Chairperson: Louis Griego

Committee Members: Curt Nilsen, Patsy Jones, R. Duff Lill, Aaron Lobato

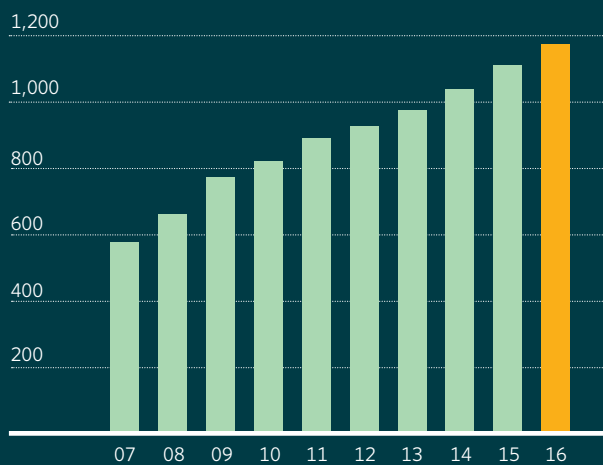
The Supervisory Committee has retained the certified public accounting firm of Moss Adams LLP to conduct an independent audit of SLFCU's financial statements. At the completion of the audit, the full report will be available at the Credit Union's administrative office for review by the membership.

In addition, at the direction of the Supervisory Committee, both internal audit staff and independent audit firms are utilized to evaluate and improve the effectiveness of the credit union's risk management, internal control, and governance processes.

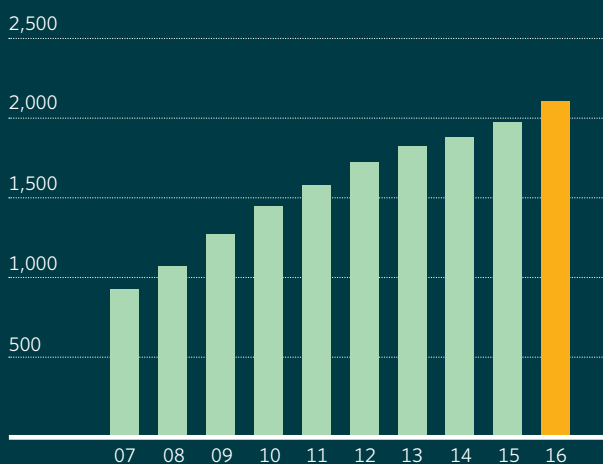
2016 FINANCES



ASSETS
in millions of dollars



LOANS
in millions of dollars

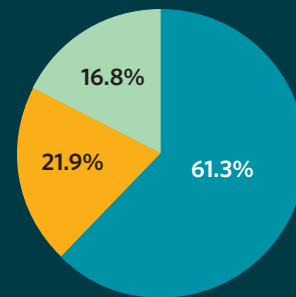
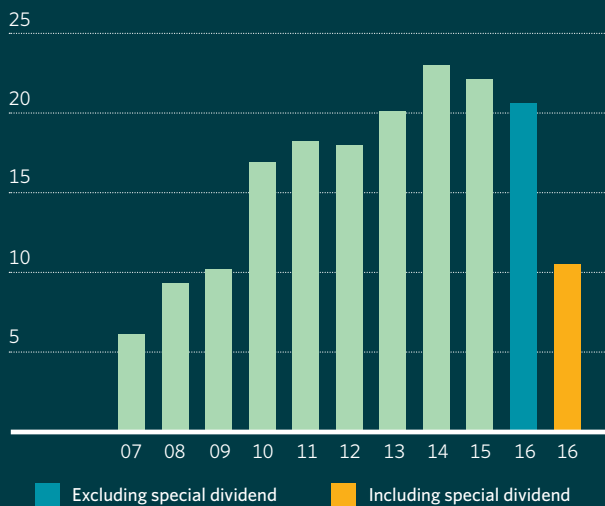


SHARES
in millions of dollars

	2016	2015
Total Assets	\$2,350,353,000	\$2,215,454,000
Loans	1,172,618,000	1,111,099,000
Investments	993,095,000	933,523,000
Members' Share Accounts	2,105,376,000	1,975,684,000
Reserves and Undivided Earnings	255,795,000	245,268,000
Gross Income	74,211,000	71,726,000
Dividends Earned by Members Including Special Dividends	21,780,000	11,090,000
Dividends Earned by Members Excluding Special Dividends	11,758,000	11,090,000
Net Income Including Special Dividends	10,528,000	22,133,000
Net Income Excluding Special Dividends	20,550,000	22,133,000

NET INCOME

in millions of dollars

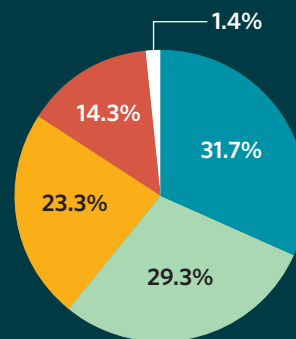
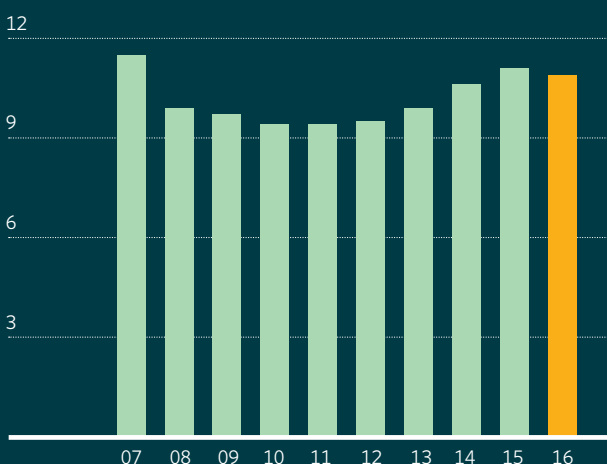


SOURCES of Income

- 61.3% Interest on Loans
- 21.9% Interest on Investments
- 16.8% Other Income

RESERVE RATIO

Percent of Assets



DISTRIBUTION of Income

- 31.7% Personnel
- 29.3% Dividends to Members Including Special Dividends
- 23.3% Operating/Non-operating Expense
- 14.3% Undivided Earnings/Reserves Including Special Dividends
- 1.4% Loan Loss Provision
- 27.8% Undivided Earnings/Reserves Excluding Special Dividends
- 15.8% Dividends to Members Excluding Special Dividends

BALANCE SHEET

	Year Ended December 31, 2016 (unaudited)	Year Ended December 31, 2015 (audited)
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ASSETS

Loans to Members	\$1,172,618,000	1,111,099,000
Less: Allowance for Loan Losses	(4,585,000)	(5,192,000)
Cash and Cash Equivalents	113,888,000	99,103,000
Investments, Market Value	993,095,000	933,523,000
Accrued Interest Receivable	5,482,000	5,009,000
Building, Land, and Equipment, Net	29,802,000	30,222,000
Deposit with NCUSIF	18,669,000	17,717,000
Other Assets	21,384,000	23,973,000

Total Assets	\$2,350,353,000	2,215,454,000
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LIABILITIES AND MEMBERS' EQUITY

Accrued Dividends Payable	1,011,000	914,000
Accounts Payable and Other Liabilities	15,534,000	15,529,000
Total Liabilities	16,545,000	16,443,000

Members' Share Accounts	2,105,376,000	1,975,684,000
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Reserves and Undivided Earnings

Regular Reserves	20,396,000	20,396,000
Undivided Earnings	235,399,000	224,872,000
Accumulated Other Comprehensive Loss	(27,363,000)	(21,941,000)

Total Liabilities and Members' Equity	\$2,350,353,000	2,215,454,000
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INCOME STATEMENT

	Year Ended December 31, 2016 (unaudited)	Year Ended December 31, 2015 (audited)
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INTEREST INCOME

Interest on Loans	\$45,511,000	44,805,000
Interest on Investments	16,242,000	14,546,000
Total Interest Income	61,753,000	59,351,000

INTEREST EXPENSE

Members' Shares	21,780,000	11,090,000
Net Interest Income	39,973,000	48,261,000
Provision for Loan Losses	1,069,000	1,418,000
Net Interest Income After Provision for Loan Losses	38,904,000	46,843,000

NON-INTEREST INCOME

Interchange Income	6,712,000	6,400,000
Negative Balance Fees	2,852,000	2,823,000
Other Non-interest Income	2,894,000	3,152,000
Total Non-interest Income	12,458,000	12,375,000

Income Before Operating Expenses	51,362,000	59,218,000
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OPERATING EXPENSES

Compensation and Employee Benefits	23,511,000	20,910,000
Office Occupancy	1,827,000	1,823,000
Office Operations	5,388,000	4,993,000
Professional and Outside Services	5,787,000	6,061,000
Educational and Promotional	457,000	439,000
Credit Card Rebates	876,000	793,000
Other	2,718,000	2,014,000
Total Operating Expenses	40,564,000	37,033,000
Operating Income	10,798,000	22,185,000
Non-operating Income (Expenses)	(270,000)	(52,000)

Net Income Including Special Dividends	\$10,528,000	\$22,133,000
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Net Income Excluding Special Dividends	\$20,550,000	\$22,133,000
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CHANGES IN FINANCIAL POSITION

	Year Ended December 31, 2016 (unaudited)	Year Ended December 31, 2015 (audited)
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CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$10,528,000	22,133,000
Adjustments to Reconcile Net Earnings to Cash Flows from Operating Expenses		
Decrease (Increase) in Accrued Dividends Payable	97,000	(20,000)
Depreciation and Amortization	1,658,000	1,672,000
Provision for Loan Losses	1,281,000	1,418,000
(Gain) Loss on the Sale of Investment/Fixed Assets/Unrealized (Gains) Losses	270,000	52,000
(Increase) Decrease in Accrued Interest Receivable	(473,000)	(282,000)
(Increase) Decrease in Prepaid Expenses and Other Assets	2,319,000	(4,572,000)
Increase (Decrease) in Accrued Expenses and Other Liabilities	(5,419,000)	(8,003,000)
Cash Flows from Operating Activities	10,261,000	12,398,000

CASH FLOWS FROM INVESTING/FINANCING ACTIVITIES

Decrease (Increase) in Loans to Members	(63,406,000)	(75,285,000)
Net Increase (Decrease) in Member Deposits	129,692,000	98,431,000
Net (Increase) Decrease in Investments	(59,572,000)	(66,013,000)
Increase in NCUSIF Deposit	(952,000)	(336,000)
Purchases of Premises and Equipment	(1,238,000)	(3,214,000)
Cash Flows from Investing/Financing Activities	4,524,000	(46,417,000)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	14,785,000	(34,019,000)
Cash and Cash Equivalents, Beginning of Year	99,103,000	133,122,000
Cash and Cash Equivalents, End of Year	\$113,888,000	\$99,103,000

STATISTICAL AND COMPARATIVE DATA

	2016	2015	Average CU
	SLFCU	SLFCU	with Assets of \$1 Billion or More (September 2016)*
Members	84,692	82,096	209,200
Assets	\$2,350,353,000	\$2,215,454,000	\$2,876,569,000
Assets Per Member	27,752	26,986	13,750
Total Savings Per Member	24,859	24,066	11,412
Dollars Loaned Per Member	13,846	13,534	9,498
Operating Expenses (Less Provision for Loan Losses) to Average Assets	1.7%	1.6%	2.8%
Employees Per Million Dollars of Assets	0.12	0.12	0.17
Total Reserves to Assets	10.9%	11.1%	10.6%
Loans Outstanding to Shares	55.7%	56.2%	83.2%
Loans Outstanding to Assets	49.9%	50.2%	69.1%
Delinquent Loans to Outstanding Loans	0.49%	0.57%	0.72%
Dividends to Gross Income Including Special Dividends	29.3%	15.5%	10.6%
Dividends to Gross Income Excluding Special Dividends	15.8%	15.5%	10.6%

*Data from the Credit Union National Association's September 30, 2016 Report



**Sandia Laboratory
Federal Credit Union**

MISSION STATEMENT

Sandia Laboratory Federal Credit Union exists to provide a tailored array of convenient services to satisfy the financial needs of our members and to provide these services with the highest possible level of technical and operational efficiency while keeping a close and caring touch with our members and employees.

A VALUED PARTNER FOR EMPLOYERS

More than 900 companies in the Albuquerque area and the Bay Area of California have made Sandia Laboratory Federal Credit Union a valuable part of their employee benefits package. And that value comes at no cost to employer or employee. Chartered in 1948, SLFCU is a full-service, government-insured, member-owned financial institution dedicated to the financial success of our members. Employees of our member companies regard their eligibility to join and use SLFCU services as a special benefit provided by their company.

For more information about company eligibility, please call 505.293.0500 or 800.947.5328, or visit www.slfcu.org/Join.



Sandia Laboratory Federal Credit Union

www.sifcu.org

505.293.0500 • 800.947.5328

P.O. Box 23040, Albuquerque, NM 87192

CREDIT UNION CENTER

3707 Juan Tabo NE
Albuquerque, NM 87111

COTTONWOOD

3740 Ellison Road NW
Albuquerque, NM 87114

EDGEWOOD

1 Liberty Square Circle
Edgewood, NM 87015

KIRTLAND

Wyoming and I Street, KAFB
Albuquerque, NM 87117

LIVERMORE DOWNTOWN

39 South Livermore Avenue
Suite 101
Livermore, CA 94550

LIVERMORE EAST

7011 East Avenue
Livermore, CA 94550

LOS LUNAS

2700 Palmilla Road NW
Los Lunas, NM 87031

PASEO DEL NORTE

8920 Holly NE
Albuquerque, NM 87122

RIO RANCHO

1900 Wellspring Avenue SE
Rio Rancho, NM 87124

TECH PARK

1301 Britt Street SE
Albuquerque, NM 87123



Federally Insured by NCUA