

Annual Report 2011



consumers
credit union

CEO & Chairperson's Report

Our mission is to provide quality and innovative products and services that contribute to the economic and social well-being of our membership.

The year 2011 was highly successful as evidenced by two key measures: **member satisfaction and employee approval ratings**. Members rewarded us with excellent member satisfaction ratings; 98.5% of members surveyed said they were satisfied or very satisfied with the service they receive at Consumers Credit Union. And employees, when surveyed, expressed increased satisfaction in nearly every category.

High Customer Intimacy remains our biggest competitive advantage.

We strengthened our bench in 2011 with 37 new employees – all bringing diverse experiences and talent to the credit union. Several key positions were added, including a VP of Human Resources, a Chief Marketing Officer, an Internal Auditor, and a seven-person Operations Department. Operations will focus on creating greater efficiencies within the credit union, including new product development and internal support.

Our passionate employees served as entrepreneurs every day with each member they touched. They worked as a team, stayed empathetic with member needs, and most importantly, exceeded member expectations.

Over 6,700 new members joined the credit union. And, while earnings increased from \$1.4 million to \$2.2 million, we saw loan delinquencies drop to pre-recession levels as we restructured debt for members in need and continued prudent lending practices.

New member growth exploded during the second half of the year.

Our Riley Office in Holland opened in June of 2011, receiving a tremendous response from the entire community. During the year we also broke ground for two new offices that will open in 2012: in Mattawan and on Portage Road.

There is still much work to do. The competition continues to strengthen and high unemployment leads to challenges we do not take lightly. We're ready to meet those challenges with improved operational efficiencies and a talented team serving our members. In 2012 and beyond we see opportunities.

Good Times Are Ahead.



Kit Snyder
President/CEO



Brad Lawton
Chairperson

CFO & Treasurer Report

Strategic asset growth, strengthening asset quality and improving financial metrics were key themes reflected in 2011's performance. Total assets grew to \$364 million by December 31, 2011, another record level. Net charge-offs declined significantly over the prior two years and our overall asset quality continued its trend of year-over-year improvement. Lastly, return on average assets of 0.81%, excluding NCUA assessment costs, and a 32-basis-point increase in the capital-to-assets ratio reflect the underlying financial strength of the organization.

The asset growth of 3% was driven by 6.5% growth in deposits, primarily in personal savings and checking accounts and certificates of deposit. The growth in these categories can be tied to another year of strong membership growth of 6%, far outpacing peer averages of 1.5%, and maintaining a highly satisfied and loyal membership.

Loan growth for 2011 was a result of changes to support the Indirect Channel and our ability to interact personally with members through our retail network. Total loans ended the year at \$303 million, up 7.5% versus 2010. This growth is exceptionally impressive when compared to the growth exhibited by our peer group of 1.2%. Growth was particularly strong in new and used auto loans, reflecting an improving economy and a competitive offering in the marketplace.

While the interest rate environment provided challenges to the entire financial services industry through lower margins, the core operating performance of your credit union remained strong. Despite these lower margins, net interest income increased year-over-year supported by the previously mentioned loan growth and lower funding costs.

On the regulatory front, assessments from the National Credit Union Administration have trended down, but are expected to once again negatively impact the credit union's results. Other regulatory impacts remain less quantifiable, such as the changes to interchange income and costs to comply with regulatory changes, but will remain a risk to ongoing financial results.

Capital adequacy, which represents funds set aside to withstand unusual losses and an ability to invest in meeting future member needs, totaled \$33.7 million or 9.26 percent of total assets at December 31, 2011, remaining well above regulatory minimums.

We appreciate the loyalty of our members, staff and Board of Directors. We expect to reward this loyalty in 2012 by driving year-over-year earnings growth and an improved return on assets ratio, thereby building on an already strong capital position.



Steve Howard
Chief Financial
Officer



Daniel Crandall
Treasurer

Loan Committee Report

The Loan Committee of Consumers Credit Union meets regularly to review applications, procedures, and lending guidelines. We're responsible for the fair and consistent application of the credit union's loan policies, while meeting the needs of our members.

Thanks to an outstanding team of loan officers, we grew our loan portfolio in 2011 by 7.5% to \$303 million. Members embraced great rates, convenient application alternatives, and local decision making. Empowered employees also provided a personal approach to making loans – at a time when peer loan balances were stagnant.

We ended 2011 with a low level of delinquent loans, indicative of an improving economic outlook and actions taken by our team, placing us in a position of strength as we head into 2012.

Our focus has stayed on serving the membership. This is reflected in our loan to deposit ratio, which measures how effectively we are utilizing member deposits to make loans to members. As of December 31, 2011, the loan to deposit ratio was 102%, compared to a peer group average of 69%.

We also continued to look for ways to diversify our product offerings. In 2011, we aligned with Michigan Saves, a unique lending program for home improvements; \$249,992 was channeled through this program to members for home improvements.

A diversified offering of loan products is a catalyst for growth. Categories like residential mortgages, new and used auto loans, and credit cards all showed strong growth in 2011. Fueled by the refinancing market, we closed \$45 million in mortgages, growing the portfolio by 6.7%. Credit cards also provided another differentiated product offering for members.

We are positioned for continued success in 2012 and beyond with our strategic plan, which outlines a clear roadmap to attaining growth targets. We thank our members, staff, and Board of Directors for their support.

A circular inset image showing a close-up of a person's hands holding a white document or folder, with a blurred background of what appears to be an office or meeting room.

Steve Owens

Steve Owens
Vice President Lending

Leading the Way

Executive Staff



Kit Snyder,
President/CEO



Scott Sylvester,
*Chief Operations
Officer*



Steve Howard,
*Chief Financial
Officer*



Steve Owens,
*Vice President
Lending*



Shawn Premer,
*Vice President
Human Resources*



Jeff Visser,
*Sales and Service
Manager*



Lynne Jarman-
Johnson, *Chief
Marketing Officer*

Board of Directors



Brad Lawton,
Chairperson



Rodney Adams,
Vice Chairperson



Daniel Crandall,
Treasurer



Patrick O'Connor,
Secretary



Brent Bassett,
Director



Frank Eagle,
Director



Dr. Stephanie Morley,
Director

Financial Report

Financial Condition

Assets	2011	2010
Loans to Members	\$273,298,624	\$244,987,363
Member Business Loans	29,092,111	36,290,627
Loans to Officials	447,123	426,389
Total Loans	\$302,837,858	\$281,704,379
Less: Allowance for Loan Losses	(7,652,786)	(7,138,227)
Net Loans	\$295,185,072	\$274,566,152
Cash	\$10,656,974	\$8,849,332
Investments	26,934,733	39,029,650
Other Assets	31,461,220	30,383,239
Total Assets	\$364,237,999	\$352,828,373

Liabilities & Equity

Member Shares & Money Market IRAs	\$63,107,210	\$51,014,925
Checking	67,634,831	60,933,848
Money Market Deposits	86,498,485	95,005,700
Certificates & Certificate IRAs	83,104,407	74,932,593
Total Deposits	\$300,344,933	\$281,887,066
Interest Payable	\$71,773	\$71,774
Other Liabilities	30,080,130	39,341,767
Regular Reserves	2,020,542	2,020,542
Reserve for Contingency	31,720,621	29,507,224
Total Liabilities & Equity	\$364,237,999	\$352,828,373

Income and Expense

Income	2011	2010
Interest on Loans	\$17,905,070	\$18,367,769
Investment Income	202,475	158,083
Other Operating Income	11,653,814	12,605,593
Total Operating Income	\$29,761,359	\$31,131,445

Operating Expenses

Compensation	\$6,644,953	\$5,503,376
Benefits	1,921,120	1,543,870
Office Occupancy	1,298,340	1,161,162
Office Operations	3,883,452	4,085,353
Loan Servicing	2,111,106	1,628,547
Provision for Loan Losses	5,850,000	8,282,412
Member Insurance	688,983	701,506
Operating Fees	78,645	78,612
Interest on Borrowed Money	1,023,285	1,340,808
Miscellaneous Operations	1,925,035	2,418,073
Total Operating Expenses	\$25,424,919	\$26,743,719
Dividends and Interest	2,123,043	2,949,492
Net Earnings	\$2,213,397	\$1,438,234

2011 Charities

American Cancer Society Relay for Life

\$12,000+ Donated in Kalamazoo
(\$13,500 when combined with Lawton & South Haven Relays)
More than 50 employees participated in the event and fundraising activities
Glenna Kane & Jeffrey Timpe, Committee Chairs

Consumers Sunburst Run

\$6,000+ Donated
235 race participants, including 22 employees
Ron Martin & Grace Borgfjord, Committee Chairs

Dollars for Scholars

5 scholarships totaling \$10,000
Employees donated funds during casual Fridays
Stephanie Sebring & Reneé Tiliski, Committee Chairs
Karla Gentry, Jesse Blankenship, Lindsey Forward, Dave Foster, Committee Members

Make a Wish Foundation

\$1,600 Donated
Scott Sylvester, John Marshall, Scott Dobson & Ron Martin, Committee Members

Senior Services, Inc. Meals on Wheels

Employees served 1,040 meals
178 hours donated, 50 employees participated
Jenn Gildea, Committee Chair

Alzheimer's Association The Walk to End Alzheimer's

\$5,000 Donated
20 employees participated
Robyn Thatcher & Micki Florinchi, Committee Chairs

MS Walk

\$5,000 Donated
18 employees participated
Jeff Visser, Committee Chair

United Way

\$11,300 Donated
80 employees participated
Heather Kopolces & Jeff Visser, Committee Chairs

\$100,000+ Donated in 2011

Thousands of hours volunteered



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Visit our website for locations.



Federally insured to \$250,000