

2014

ANNUAL REPORT

 **arizona** | CREDIT
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Robert Wolpert Chairman
Brian Raczynski..... Vice Chairman
Mark Denke Treasurer
Sandy Watts Secretary
Ted Dwyer Director
Larry Pfeiffer Director
John Riddle Director

SUPERVISORY COMMITTEE

John Riddle Chairman
Patrick Huston Member
Stephanie McQuillan Member

STRATEGIC MANAGEMENT TEAM

Todd A. Pearson President & CEO
Adam Jones Executive Vice President
Greg Harden Senior Vice President & CFO
Janet Moodie Vice President & COO
Bronwyn Medley Vice President & CMO
Kathy Pluhowsky Vice President, Financial Resolution
Yvette Clay Vice President, Lending
Mike Neill Vice President, Finance & Accounting
Michelle Bradshaw Vice President, Information Technology
Mary Harwood Director, Human Resources
Justin Whitesides Vice President, Risk Management & General Counsel

BRANCH LOCATIONS & HOURS

Branch Locations

- Chandler**
▶ 1805 W. Chandler Blvd.
- Flagstaff**
2521 N. West St.
▶ 1948 S. Woodlands Village Blvd.
- Glendale**
▶ 6901 W. Bell Rd.
5552 W. Glendale Ave.
- Phoenix**
2020 N. Central Ave.
- Show Low**
▶ 4451 S. White Mountain Rd., Suite D
- Tempe**
3350 S. Price Rd.
- Tucson**
787 S. Alvernon Wy.
▶ 2150 W. Ina Rd.

Plus

More than 6,500 branches nationwide through CU Service Centers® Network

ATM Locations

- Arrowhead Hospital**
18701 N. 67th Ave., Glendale
(cash dispense only; near cafeteria)
 - Maryvale Medical Center**
5102 W. Campbell Ave., Phoenix
(cash dispense only; near cafeteria)
 - Phoenix Baptist Hospital**
2000 W. Bethany Home Rd., Phoenix
(cash dispense only; near cafeteria)
 - West Valley Hospital**
13677 W. McDowell Rd., Glendale
(cash dispense only; near cafeteria)
 - Wickenburg Community Hospital**
520 Rose Lane., Wickenburg
(accepts deposits; near cafeteria)
- Plus**
More than 55,000 surcharge-free Allpoint™ ATMs nationwide!

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azcentralcu.org

Hours of Operation

Mon, Tue, Thr, Fri 8:30 a.m. - 6 p.m.
Wed 10 a.m. - 6 p.m.
Sat (select branches) 10 a.m. - 2 p.m.

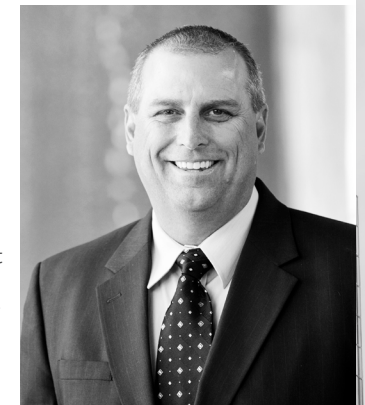
▶ Indicates branches with Saturday hours



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Products & services described in this brochure are subject to change without notice.



MANAGEMENT REPORT



FINANCIAL FOCUS

In 2014 U.S. economic growth started the 1st quarter with weakness contracting by an annualized rate of 2.1%, before recovering to grow by 4.6% in the 2nd quarter, a surprisingly strong 5% annualized pace in the 3rd quarter, and a 2.6% growth rate to close out the 4th quarter of 2014. Looking at 2014 as a whole, the economy grew by approximately 2.5% which is a small improvement from previous years, however still below the long term economic growth rate of 3.3%. The Arizona economy continued efforts to replace all the lost jobs suffered during the “Great Recession,” however at a slower pace than the U.S. as a whole. Arizona economists continued to categorize the Arizona economy as they had done in previous years; we are “recovering but not recovered”.

Arizona Central continued to capitalize on an improving economy by increasing the loan portfolio during 2014 by \$74.3 million as compared to \$44.6 million during 2013.

Arizona Central's financial picture continued to be strong during 2014, with a capital ratio of 8.64% on average assets of \$421.3 million as compared to a capital ratio of 8.90% on average assets of \$407.9 million in 2013.

MEMBER FOCUS

The strategies implemented, demonstrative of our commitment to providing an unparalleled experience and providing customizable member solutions, have resulted in increased member satisfaction. Arizona Central's Net Promoter Score® for 2014 was 82.42% and our member retention rate was 90%. Both ratings are among the top scores in the industry.

Instant Issue of Check Cards was launched in April 2014 in support of making it easier for our members to do business with us. This service eliminates the inconvenience of not having remote access to your checking account when new members move their account relationship to Arizona Central, or when an existing member's Check Card has been lost/stolen or affected by a merchant data breach.

An ATM was installed in the community room at Wickenburg Community Hospital, deepening our relationship with this Select Employee Group and providing the entire Wickenburg community convenient access to their credit union accounts.

Member satisfaction, customized solutions and convenience continue to be the foundation for launching new products and delivery channels, ensuring we meet the needs of our diverse membership.

COMMUNITY FOCUS

In 2014 Arizona Central continued to build our relationship with local non-profit organizations that are near and dear to our hearts. Throughout the year we participated in 70 community engagement activities and donated over 2,000 hours of service. These events helped us raise nearly \$89,000 for eight organizations, including Relay For Life, Phoenix Children's Hospital and the Cancer Support Community of Arizona.

Arizona Central also hosted our 3rd annual charity golf tournament, benefiting the Cancer Support Community of Arizona. This was a very successful event that raised \$55,000 and we look forward to putting on another great tournament in 2015!

Respectfully submitted,

Robert Wolpert, Chairman
Todd Pearson, President/CEO

SUPERVISORY COMMITTEE REPORT

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The volunteers of the Supervisory Committee are appointed by the Board of Directors to watch over the members' interests in Arizona Central Credit Union. Each year we review credit union records to ensure the staff carried out their duties responsibly and that Arizona Central was properly operated, while maintaining all required documentation and conforming to federal, state, and local laws and regulations.

To assist in these duties, the Committee continues to retain the Certified Public Accounting firm of Orth, Chakler, Murnane and Company, CPAs. This firm conducted their regular audit of operations and verified members' accounts in order to issue an opinion on the credit union's financial statements.

Arizona Central is state chartered and is regulated and examined by the Arizona Department of Financial Institutions and the National Credit Union Administration. As further protection of member funds, a \$5 million blanket surety bond covers such risks as embezzlement, theft, forgery, and burglary. In addition, adequate casualty insurance is in force.

The Supervisory Committee would like to thank the members of Arizona Central Credit Union for the privilege of serving them.

Respectfully submitted,
John W. Riddle, Supervisory Committee Chairman

COMPARISON TABLES

ASSET GROWTH

2012	\$397,431,538
2013	\$403,446,974
2014	\$433,484,790

DEPOSIT GROWTH

2012	\$356,980,553
2013	\$364,989,904
2014	\$371,737,080

MEMBER SERVICES & BENEFITS

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- Member Share Accounts
- LifeStyle Checking Accounts with Visa® Check Cards
- Money Market Accounts
- Certificates & IRAs
- Health Savings Accounts
- You-Name-It Savings Accounts
- Central Points™ Member Rewards Program
- New & Used Vehicle Loans
- Credit Union Advantage & AutoSMART
- Lines of Credit & Debt Consolidation
- Signature Loans
- Make It Happen Retail Loans
- Mortgages & Home Equity Loans
- Visa® Gold, Classic & Secured Credit Cards
- Quik Money Card (ATM-only card)
- Small Business Savings, Checking & Loans
- eBRANCH Remote Deposit
- FinanceWorks
- Easy Pay & Funds Transfer
- Mobile Banking, SMS Banking & Mobile Apps
- Payroll Deduction & Direct Deposit
- Central Phone Banking
- CO-OP Shared Branch Network
- Allpoint™ Surcharge-Free ATM Network
- eBRANCH Online Banking & Bill Pay Services
- Mechanical Breakdown Protection & GAP Policies
- MEMBER'S CHOICE™ Borrower Security
- Arizona Central Financial Services*
- Auto & Homeowner's Insurance through TruStage™
- Life Insurance through Voya Financial Partners
- Monkey Money Savings Program (12 years old & younger)
- CU Succeed Savings Program (13-17 years old)
- Free Notary Public Services
- 24-Hour Depository
- Vacation & Travel Discounts

* Securities and Investment Advisory Services Offered Through Voya Financial Partners, Member SIPC.

Arizona Central Credit Union and Arizona Central Financial Services are not a subsidiary of nor controlled by Voya Financial Partners.

Investments are not a deposit, not NCUSIF insured, not insured by any federal government agency, not guaranteed by the financial institution, may go down in value.



ABOUT ARIZONA CENTRAL

ABOUT US

ARIZONA CENTRAL

Arizona Central Credit Union is a not-for-profit full-service financial institution that is locally owned and operated by its members. With more than 55,000 members and over \$400 million in assets, we have served Arizona for over 75 years.

We operate ten full-service branches throughout Phoenix, Tucson, Flagstaff and Show Low, and offer access to more than 6,500 branches nationwide through our CU Service Centers® Network. Our members also have access to more than 55,000 surcharge-free ATMs nationwide through the Allpoint™ Network.

At Arizona Central, we focus on our members, our employees, and the communities we live in!

We recognize each member as an individual with unique financial needs. Our goal is to provide them the very best financial solutions, tailored to their personal situation for life!

We know we are only as good as our employees – and therefore we strive to keep employee satisfaction high!

Member satisfaction, customized solutions and convenience continue to be the foundation for launching new products and delivery channels ensuring we meet the needs of our **diverse membership.**

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3rd Annual Golf Tournament benefiting the Cancer Support Community of Arizona. November 2014.

CREDIT COMMITTEE REPORT

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During 2014 we experienced an impressive 29% growth in our loan portfolio from \$252,192,963 to \$326,526,293. New loan originations totaled \$202,401,802.

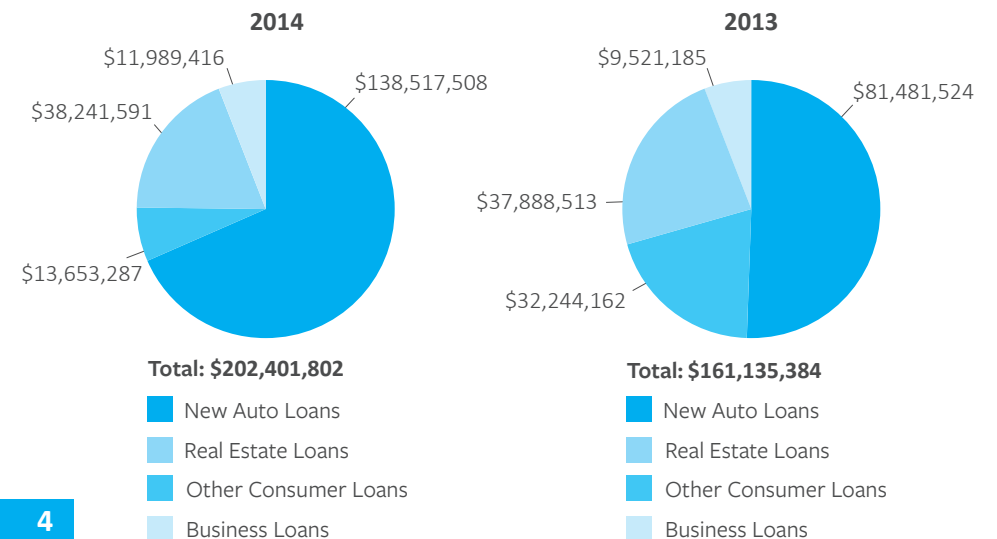
Consumer auto loans continue to be our largest concentration making up 68% of our 2014 originations, \$138,517,508. The Visa® Credit Card program remained consistent with the previous year with over 446,000 transactions and \$27.2 million in purchases. Our total first mortgage loan portfolio ended at \$42,574,884 by booking over \$34,164,457 in new mortgage loans, including those that were sold.

Our committee is purposeful; dedicated to reviewing economic trends affecting our portfolio and ensuring appropriate oversight and sound lending administration. Although we don't expect loan growth to be as aggressive as in 2014, we will continue to grow our portfolio in a controlled manner and look forward to helping our members achieve financial success in 2015.

Respectfully submitted,
Yvette Clay, Credit Committee Chairman

COMPARISON CHARTS

TOTAL NEW LOAN ORIGINATIONS



FINANCIAL CONDITION STATEMENT

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ASSETS	2014	2013
Loans: Net Allowance for Loan Losses	\$320,605,293	\$246,988,964
Total Loans Held for Sale (HFS), Cash & Accounts Receivable	\$5,886,302	\$6,948,018
Corporate Capital & Other Investments	\$2,996,127	\$3,310,949
Corporate Account Deposits & Certificates	\$4,968,859	\$8,059,864
Marketable Investments	\$57,115,818	\$95,037,697
Fixed Assets	\$29,202,142	\$29,326,103
Accrued Interest, Prepaid & Other Assets	\$9,095,678	\$10,162,061
NCUSIF Deposit	\$3,614,571	\$3,613,318
Total Assets	\$433,484,790	\$403,446,974
LIABILITIES		
Total Payables	\$25,250,844	\$5,464,664
Total Member Deposits	\$371,737,080	\$364,989,903
Total Liabilities	\$396,987,924	\$370,454,567
Members' Capital	\$36,496,866	\$32,992,407
Total Liabilities & Members' Equity	\$433,484,790	\$403,446,974

INCOME STATEMENT

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TOTAL INTEREST INCOME	2014	2013
Interest on Loans	\$14,977,451	\$12,952,911
Interest on Investments	\$2,117,220	\$1,853,231
Total Interest Income	\$17,094,671	\$14,806,142
TOTAL DIVIDENDS & INTEREST EXPENSE		
Dividends & Interest Expense	\$756,487	\$788,719
Net Interest Income	\$16,338,184	\$14,017,423
Provisions for Loan Losses	\$2,672,686	\$1,078,814
Net Interest Income After Provisions	\$13,665,498	\$12,938,609
NON-INTEREST INCOME		
Fees & Charges	\$4,648,271	\$4,614,963
Other Non-Interest Income	\$5,274,194	\$5,834,368
Gain/(Loss) on Inv. & F/A	\$204,228	(\$391,866)
Total Non-Interest Income	\$10,126,693	\$10,057,465
NON-INTEREST EXPENSE		
Compensation & Benefits	\$9,646,112	\$8,827,057
Occupancy	\$4,548,652	\$4,744,785
Operations	\$5,335,925	\$5,249,183
Marketing	\$1,263,953	\$859,919
Professional Fees	\$141,871	\$150,023
NCUA Share Insurance	\$0	\$289,065
Other Non-Interest Expense	\$1,295,447	\$1,112,795
Total Non-Interest Expense	\$22,231,960	\$21,232,827
Net Income	\$1,560,231	\$1,763,247