

2015

ANNUAL REPORT

 **arizona** CREDIT
central UNION

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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

Patrick Huston Chairman
Eric Spicer Member
Stephanie McQuillan Member
Veronica Piotrowski Member

STRATEGIC MANAGEMENT TEAM

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

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
(takes deposits; near cafeteria)

Plus

More than 55,000 surcharge-free Allpoint™ ATMs nationwide!

Contact Us

Call or go online

(602) 264-6421 or toll free at 1-866-264-6421
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



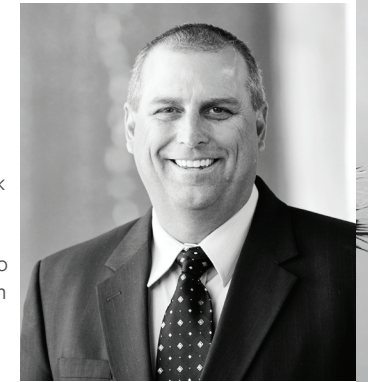
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MANAGEMENT REPORT

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FINANCIAL FOCUS

U.S. economic growth started off weak with first quarter GDP coming in at a 0.6% annualized increase, followed by stronger levels in the second and third quarters, and ending with a weak fourth quarter of 0.7% increase. 2015, as a whole, found the U.S. economy growing by approximately 1.8% which is below the previous year's growth of 2.5%. The economy continues to grow, however it continues to lag behind the long-term growth rate of 3.3%.

Another sign of a slowly recovering economy was strong job data reports during the year with approximately 2.5 million jobs being added during 2015. This led to the unemployment rate falling during 2015 from 5.7% to 5.0%. Given the slowly improving economy, the Federal Open Market Committee (FOMC) unanimously voting to raise the target range for the federal funds rate by 0.25% from the 0% to 0.25% target to the 0.25% to 0.50% target at the December 2015 meeting. The FOMC also feels the economy is improving and inflation is expected to increase enough that further rate increases will be required in 2016. The financial markets are not quite convinced - so time will tell.

Arizona Central continued to capitalize on an improving economy by increasing the loan portfolio during 2015 by \$4.6 million as compared to an increase during 2014 of \$74.3 million. Loan to share ratio continued to be strong at the end of 2015 at 83.5%, as compared to 87.8% at the end of 2014.

Arizona Central's financial picture continued to be strong during 2015, with a capital ratio of 8.69% on average assets of \$438.3 million, as compared to a capital ratio of 8.64% on average assets of \$421.3 million in 2014.

MEMBER FOCUS

The strategies implemented, demonstrative of our commitment to providing an unparalleled experience and providing customizable member solutions, continue to improve member satisfaction. Arizona Central's Net Promoter Score® for 2015 was 82.41% and our member retention rate was 90% for the second consecutive year. Both ratings are among the top scores in the industry.

Making it easier for our members to do business with us was also a priority in 2015. We launched the ability for new members to join the credit union via an online channel; implemented the ability to make loan payments using funds from another institution, on our website; upgraded eBRANCH functionality to show pending Check Card authorizations, and improved our average speed of answer in our Member Solution Center to 35 seconds!

COMMUNITY FOCUS

In 2015, Arizona Central Credit Union continued to support local community partners near and dear to our hearts. Throughout the year we donated a total of 2,050 volunteer hours through over 87 different activities. Our staff fundraised nearly \$100,000 for 3 organizations, including Phoenix Children's Hospital - Camp Rainbow, Tucson Medical Center, and Cancer Support Community Arizona (CSCAZ).

Arizona Central hosted our 4th annual charity golf tournament, again benefiting Cancer Support Community Arizona. The total raised this year was a \$10,000 increase over last year's outing at \$65,000. This is the third year Arizona Central Credit Union has designated CSCAZ as beneficiary of the charity golf event with the three-year proceeds raised totaling \$180,000.

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 members' interests in Arizona Central Credit Union. Each year, we review the Credit Union's records to ensure staff carried out their duties responsibly and that Arizona Central was properly operated, while maintaining all required documentation and conforming to all applicable laws, regulations, and internal policies.

To assist in these duties, we rely on external auditors and internal staff whose responsibility is to report to us on the adequacy the Credit Union's internal controls over various areas of the Credit Union's operations. In addition, the Committee retained Orth, Chakler, Murnane & Co. (OCM & Co.), a national CPA firm with recognized expertise in the credit union industry, to verify members' accounts and perform an opinion audit based on the Credit Union's financial statements.

OCM & Co. concluded that the financial statements present fairly, in all material respects, the financial position of Arizona Central Credit Union as of December 31, 2015, and the results of its operations and its cash flows in accordance with accounting principles generally accepted in the United States.

Based on OCM & Co.'s report, the reports of other external auditors, and staff reports, the Supervisory Committee has concluded that Arizona Central remains compliant with all applicable policies, laws, and regulations. We would like to thank the Board of Directors and the members of Arizona Central Credit Union for the privilege of serving.

Respectfully submitted,
Patrick Huston, Supervisory Committee Chairman

COMPARISON TABLES

ASSET GROWTH

2013	\$403,446,974
2014	\$433,484,790
2015	\$438,935,961

DEPOSIT GROWTH

2013	\$364,989,904
2014	\$371,737,080
2015	\$396,689,522

MEMBER SERVICES & BENEFITS

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- Member Share Accounts
- LifeStyle Checking Accounts
- 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
- EDge Student 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
- Members' Roadside Assistance
- 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 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 76 years.

We operate ten full-service branches throughout the Greater Phoenix area, 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 where we live!

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 in 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.**

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

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CREDIT COMMITTEE REPORT

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The loan portfolio growth we had experienced during 2012-2014 stabilized in 2015. We ended the year with a \$4.5 million increase in balances over the previous year ending at \$331,082,787. New production held strong in 2015 with installment loans totaling \$173,719,682, not including new lines of credit, credit cards and home equity lines.

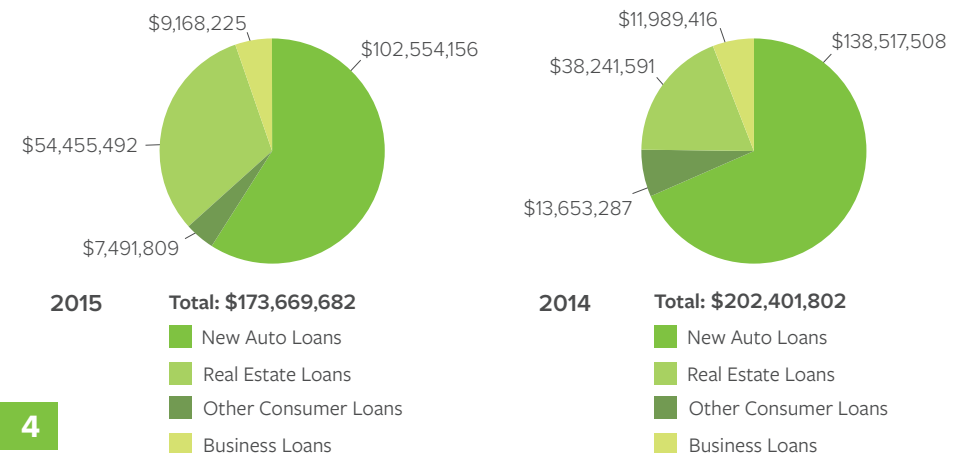
The portfolio has a diversified mix with consumer auto loans continuing to be our largest concentration. The portfolio contains 71.77% in consumer loans, 17.29% in residential real estate loans, and 10.94% in commercial loans. Our residential real estate portfolio ended at \$57,189,315 which was a 34.3% growth over 2014 balances. Real estate production totaled \$43,141,273 in new loan originations some of which are sold through our correspondent lending partnerships. Commercial loans continue to be a profitable channel with \$8,911,000 in new commercial real estate loans; ending the year with a portfolio balance of \$36,220,108. The Visa® Credit Card program activity remained consistent with the previous year with 448,187 transactions and \$27,588,330 in purchases.

The Committee diligently monitors the portfolio and updates policies to ensure appropriate oversight and sound lending administration. Our Committee is also intent on engaging in programs that include financial education that assist borrowers in reaching their unique financial goals. For the upcoming year, we expect to see stable loan volume and minimal loan growth.

Respectfully submitted,
Yvette Clay, Credit Committee Chairman

COMPARISON CHARTS

TOTAL NEW LOAN ORIGINATIONS



FINANCIAL CONDITION STATEMENT

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ASSETS	2015	2014
Loans: Net Allowance for Loan Losses	\$327,423,787	\$320,605,293
Total Loans Held for Sale (HFS), Cash & Accounts Receivable	\$6,724,857	\$5,886,302
Corporate Capital & Other Investments	\$2,725,718	\$2,996,127
Corporate Account Deposits & Certificates	\$30,679,463	\$4,968,859
Marketable Investments	\$26,056,515	\$57,115,818
Fixed Assets	\$29,077,449	\$29,202,142
Accrued Interest, Prepaid & Other Assets	\$12,447,363	\$9,095,678
NCUSIF Deposit	\$3,800,809	\$3,614,571
Total Assets	\$438,935,961	\$433,484,790
LIABILITIES		
Total Payables	\$5,462,174	\$25,250,844
Total Member Deposits	\$396,689,522	\$371,737,080
Total Liabilities	\$402,151,696	\$396,987,924
Members' Capital	\$36,784,265	\$36,496,866
Total Liabilities & Members' Equity	\$438,935,961	\$433,484,790

INCOME STATEMENT

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	2015	2014
TOTAL INTEREST INCOME		
Interest on Loans	\$17,174,931	\$14,977,451
Interest on Investments	\$1,096,820	\$2,117,220
Total Interest Income	\$18,271,751	\$17,094,671
TOTAL DIVIDENDS & INTEREST EXPENSE		
Net Interest Income	\$17,567,365	\$16,338,184
Provisions for Loan Losses	\$3,483,211	\$2,672,686
Net Interest Income After Provisions	\$14,084,154	\$13,665,498
NON-INTEREST INCOME		
Fees & Charges	\$4,989,302	\$4,648,271
Other Non-Interest Income	\$5,279,813	\$5,274,194
Gain/(Loss) on Inv. & F/A	\$184,710	\$204,228
Total Non-Interest Income	\$10,453,825	\$10,126,693
NON-INTEREST EXPENSE		
Compensation & Benefits	\$10,244,740	\$9,646,112
Occupancy	\$4,791,778	\$4,548,652
Operations	\$5,564,113	\$5,335,925
Marketing	\$1,832,319	\$1,263,953
Professional Fees	\$336,952	\$141,871
NCUA Share Insurance	\$0	\$0
Other Non-Interest Expense	\$1,528,875	\$1,295,447
Total Non-Interest Expense	\$24,298,777	\$22,231,960
Net Income (Loss)	\$239,202	\$1,560,231