

Annual Report 2014



Working as One



*Your security is our promise*

Federally insured by NCUA



## *Working as one!*

EMV (Europay, MasterCard<sup>®</sup>, Visa<sup>®</sup>) payment processing terminals (pictured above) are being installed in stores nationwide to support EMV technology. Unlike magnetic strip cards, EMV cards are inserted into the card reader, where the machine reads the encrypted chip data.

## A Message from the President/CEO

Throughout 2014, Arizona State Credit Union focused on providing members with enhanced technology, security and product offerings. As we continue to refine the way we do business, we are committed to using our sustainable business model to help our members and associates achieve their financial goals.

Our commitment to security has resonated with our member base, and has helped create a deeper understanding of the benefits of membership. As a result, the Credit Union posted a net income of \$15.3 million. Assets totaled nearly \$1.7 billion, and our capital grew to 9.97%, in line with our peer groups. The Credit Union's delinquency ratio was below 0.29%, and deposits increased by 5.25%, positive indicators that we are a financially strong credit union.

We continue to deliver on our commitment to provide members with advanced technology offerings to ensure they have a secure and seamless experience through all channels. A major component of our security upgrades included installing EMV (Europay, MasterCard®, Visa®) chips on our personal credit cards, which help prevent the spread of counterfeit card fraud. EMV is micro-computer chip technology that is more secure than strip card technology. In 2015, to further safeguard our members' personal information, we will implement the same technology for business credit cards.

Enhanced product offerings included restructuring our Home Equity Line of Credit (HELOC) by implementing zero closing costs, which makes the application process simpler. This provides our members with greater value. With the rollout of the restructured HELOC product, we have helped over 300 members use the equity in their homes for home improvement projects, debt consolidation, assisted living costs and educational expenses. With the average member using \$29,140 on their HELOC, this program positively impacted the financial well-being of our members.

To raise money for those in need, many of our associates gave back to their communities by participating in various events, including charitable activities and marathons, throughout the state. In addition to community outreach, the Credit Union was ranked the number one credit union for the ninth consecutive year by Ranking Arizona: *The Best of Arizona Business*. Additionally, for the sixth time, we were recognized with the Peter Barron Stark Workplace Excellence award.

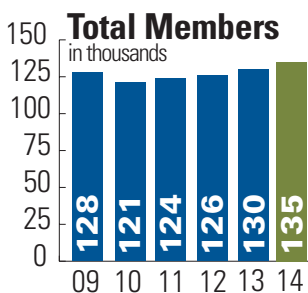
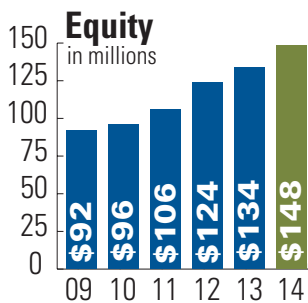
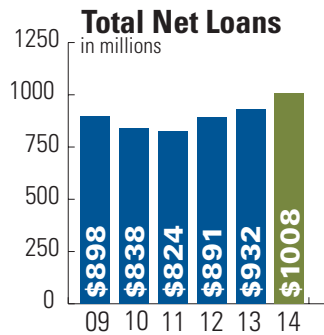
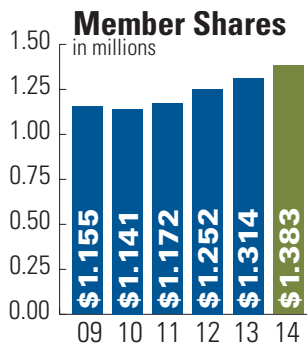
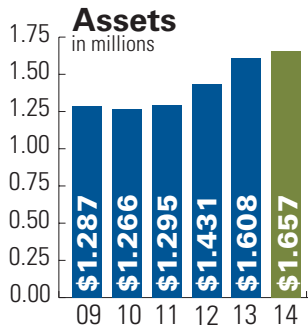
The organization's commitment to providing the highest levels of service and security has positioned us well for the year ahead. I am tremendously proud of our talented associates for all of their dedication throughout the year, as their efforts have been integral to strengthening our value proposition. With your support, we will continue to challenge ourselves to set the standard for excellence in financial services. This mission will result in working with our members to add value to their quality of life. Thank you for your membership.



David E. Doss  
President/CEO

*David E. Doss*

## Financial Statements



### STATEMENT OF FINANCIAL CONDITION (audited)

ASSETS - December 31	2014	2013
Cash and cash equivalents	\$162,169	\$173,765
Investment securities:		
Available for sale	367,454	387,369
Other investments	24,045	25,135
Federal Home Loan Bank stock	7,339	7,003
Loans held for sale	1,753	1,526
Loans to members, net of allowance for loan losses	1,007,911	932,133
Accrued interest receivable	3,433	3,172
Foreclosed assets	4,244	2,762
Premises and equipment, net	42,164	44,568
NCUSIF deposit	13,091	12,466
Other assets	6,517	17,908
<b>TOTAL ASSETS</b>	<b>\$1,656,657</b>	<b>\$1,607,807</b>

### LIABILITIES AND MEMBERS' EQUITY

LIABILITIES	2014 (\$000s)	2013
Members' share accounts	\$1,383,311	\$1,314,356
Borrowed funds	110,000	149,000
Pension plan funded status	3,905	---
Accrued expenses and other liabilities	11,674	10,829
<b>Total Liabilities</b>	<b>\$1,508,890</b>	<b>\$1,474,185</b>

### MEMBERS' EQUITY

Total members' equity	\$147,767	\$133,622
-----------------------	-----------	-----------

**TOTAL LIABILITIES AND MEMBERS' EQUITY**      **\$1,656,657**      **\$1,607,807**

### STATEMENT OF INCOME (audited)

	2014	2013
Net interest income	\$44,092	\$43,446
Provision for loan losses	3,400	3,500
Net interest income after provision for loan losses	40,692	39,946
Non-interest income	32,476	33,089
Non-interest expenses	57,865	56,835
<b>NET INCOME</b>	<b>\$ 15,303</b>	<b>\$16,200</b>



Our restructured HELOC product helped members Gary Gilbert (left) and Dennis Carpenter (right) realize their dream of remodeling their kitchen. With their new and improved kitchen, Gary and Dennis are now able to relax, enjoy cooking and hosting events in their home.



To continue to provide competitive financial solutions to our members, the Credit Union restructured its Home Equity Line of Credit (HELOC) to meet a broad range of needs by implementing zero closing costs. This gives members the flexibility of borrowing against the equity in their home to make home improvements, pay for educational expenses, wedding costs, medical and assisted living expenses, and debt consolidation.



To ensure the continued protection of member information, the Credit Union reissued all personal credit cards with EMV (Europay, MasterCard®, Visa®) chips. Originating in Europe, this technology has been instrumental in preventing credit card fraud. EMV chips allow merchants to verify your transaction as soon as it is made, which provides an enhanced level of comfort when making purchases.

## *Your security is our promise*

The Credit Union instantly issues debit cards in all branches to simplify your banking experience. Whether you need a new debit card for your account or a replacement card for one that has been reported as lost or stolen, you will receive a new card within minutes, eliminating the need to wait to receive your card in the mail.



With DocuSign, you can review and sign loan documents from the comfort of your home. You are able to quickly access and sign documents with the click of a button and, once your documents are signed, they are securely sent to the Credit Union for processing.



Mobile check deposit capabilities within the myAZSTCU Mobile App allow you to make deposits on-the-go, making your banking experience simple and hassle-free. You are also able to view your account balances, schedule payments and transfer funds.

## Report from the Chair

For 64 years, Arizona State Credit Union has been committed to providing excellent member service by using a set of strong core principles to guide our organizational decisions. It is our responsibility to ensure our members' experience is "best-in-class" service through all channels. During 2014, we enhanced our technology and product offerings, and tailored our approach to meet the needs of our member base.

Ensuring that we have the most current technology advancements in place is an integral part of remaining relevant with our members. To provide enhanced security, the Credit Union reissued all personal credit cards with EMV (Europay, MasterCard®, Visa®) chips. We will continue to look for ways to better serve our members, and to make sure they have the most secure and seamless purchase experience possible.

We continually conduct research to find ways to provide our members with the tools they need to succeed. This commitment to providing the best financial solutions has helped the Credit Union deliver the service experience our members expect.

These improvements have been met with positive feedback, and have helped the Credit Union remain financially strong. Our strong asset quality and capital have made it possible for us to lend to consumers and business owners.

The board is dedicated to preserving the foundation of the Credit Union. We are proud to serve our local communities, and it is an honor to serve as the Chairman of an organization that never compromises the quality of its products and services. With the support of our members and associates, we will continue to grow and meet the needs of our members for years to come.



**Sam Wheeler**  
Chair

A handwritten signature in black ink, appearing to read "S. Wheeler". The signature is written in a cursive, flowing style.





## Board of Directors

From left to right; top to bottom:  
 Quentin Bogart, Director Emeritus  
 Jon Borge, Treasurer  
 Frank J. Felix, Director  
 Ray O'Connor, Director  
 Connie Ohanesian, Director  
 Martha Rozen, Secretary  
 Shane Siren, Vice Chairman  
 Joseph C. Smith, Director  
 Sam Wheeler, Chairman  
 Marquette White, Director  
 Bill Vandenbosch, Advisory Director



## Executive Team

From left to right; first row top,  
 second row bottom:

### First Row:

Brian Johnson, SVP Business Intelligence/CRM;  
 Sean Azhadi, SVP Chief Technology Officer;  
 Debbie Meshey, VP Associate Engagement;  
 Collin Campbell, VP Member Experience;  
 Kim Reedy, EVP Chief Financial Officer;  
 Randon Cupp, Regional President Business Services;  
 Deborah Pearson, SVP Strategy & Brand;  
 John Schooner, VP Credit Risk Management;  
 Alison McGonagle, VP Investment Services;  
 Bryan Nielsen, SVP Support Services;  
 Robert Gibboni, SVP Risk Management;  
 David Sweiderk, EVP Chief Operating Officer

### Second Row:

Mike Boden, VP Controller (seated);  
 David E. Doss, President/CEO;  
 Lori Greene, VP Member Channel Operations;  
 Joseph Vanden Bosch, SVP Member Engagement;  
 Michael Emanuelli, EVP Chief Administration Officer;  
 Pat Blaine, VP Credit Administration;  
 Yvonne Ross, VP Human Resources

### Not Pictured:

David Downing, EVP Member Solutions

## Supervisory Committee Report



**From left to right:**  
Hal Folette, Secretary  
Sandra Bufford, Chair  
Ed Sanchez  
**Not pictured:**  
Sara Click

The Supervisory Committee volunteers are appointed by the Board of Directors. The Supervisory Committee is responsible for ensuring that: the assets of the Credit Union are safeguarded; an independent audit is performed annually; account balances of the membership are verified; and appropriate policies and procedures exist to ensure compliance with management's objectives and regulatory requirements. These responsibilities are accomplished through regular meetings with the Board of Directors, Credit Union management and staff, Risk Management/Internal Audit, external auditors and regulators to review Credit Union activities and audit results.

As of September 30, 2014, the Arizona State Department of Financial Institutions and the National Credit Union Administration jointly completed their annual regulatory examination. In addition, CliftonLarsonAllen, a national CPA firm with recognized expertise in the credit union industry, was contracted to independently audit the financial statements and to perform member account verification procedures. Based on the results of this audit and account verification work, CliftonLarsonAllen concluded that the consolidated financial statements as of December 31, 2014 and December 31, 2013 present fairly, in all material respects, the financial position and results of operations of the Credit Union in accordance with accounting principles generally accepted in the United States. Within the scope of their audit, CliftonLarsonAllen also found no significant deficiencies or material weaknesses in internal controls.

The Supervisory Committee has concluded that the Credit Union remains financially strong and compliant. We wish to express our appreciation to the Board of Directors, management and staff for their continued cooperation, compliance and dedication to the success of Arizona State Credit Union.

*Sandra Bufford*

## Treasurer's Report

Arizona State Credit Union remained a strong and stable financial institution throughout 2014, with a net income of \$15.3 million for the year. The Credit Union's assets totaled nearly \$1.7 billion as of December 31, 2014 and included over \$1 billion in total loans, an increase of 7.85% from 2013. Additionally, deposits increased by 5.25%.

Our capital strengthened to 9.97%, a level considered by our regulators to represent a well-capitalized institution. We continually monitor financial performance with the Credit Union's management team. The Arizona Department of Financial Institutions and the National Credit Union Administration (NCUA) quarterly receive detailed information from Arizona State Credit Union that measures financial strength and net worth, and we engage an independent audit firm to audit our financial statements each year.

I am pleased to report that given our strong operational, financial and membership growth in 2014, your Credit Union is well positioned for future growth.



Jon Borge  
Treasurer

A handwritten signature in black ink, appearing to read 'Jon Borge'. The signature is fluid and cursive, written in a professional style.



Working as One

An Official Publication of  
Arizona State Credit Union  
2355 W. Pinnacle Peak Road  
Phoenix, AZ 85027  
© 2013 / All Rights Reserved

OFFICE LOCATIONS  
602.467.4081 / 800.671.1098

CHINO VALLEY  
1021 N. Highway 89, Suite 106

COTTONWOOD  
601 W. State Route 89A

FLAGSTAFF  
321 S. Beaver Street  
5200 N. Highway 89

GILBERT  
2277 W. Guadalupe Road  
2721 S. San Tan Village  
Parkway, Suite 104

GLENDALE  
8285 W. Union Hills  
Drive, Suite 106  
ASU West Campus -  
4701 W. Thunderbird Road

PAYSON  
104 E. Highway 260, Suite C

PHOENIX  
1812 W. Monroe Street  
2355 W. Pinnacle Peak Road

PRESCOTT  
550 E. Gurley Street  
1335 Gail Gardner Way

PRESCOTT VALLEY  
7111 Pav Way

SAFFORD  
280 W. Main Street

SCOTTSDALE  
6501 E. Greenway Parkway,  
Suite 133

TEMPE  
ASU Main Campus -  
Memorial Union  
1290 S. Normal Drive  
840 E. Southern Avenue,  
Suite 101

TUCSON  
777 S. Alvernon Way  
6456 N. Oracle Road  
1001 N. Park Avenue

