

Annual Report 2013



Working as One

Federally insured by NCUA

Credit Union CEO David E. Doss (left) presents more than \$180,000 collected from the Credit Union's donation drive to representatives from the Prescott Firefighter's Charities. The proceeds benefited the families of the fallen Granite Mountain Hotshots and those affected by the Yarnell Hill Fire.



Working as one!

The Credit Union Remembers National Heroes

Arizona State Credit Union took time to celebrate the nation's independence by displaying all 27 congressionally approved versions of the American flag. The flags remained on display through mid-July to honor the 19 fallen firefighters who perished in the Yarnell Hill Fire on June 30, 2013.

A Message from the President/CEO

2013 was another record year for the Credit Union, providing higher levels of member-focused service and community support. As a result, deposits were at a record high. Member participation in this 100 percent local financial cooperative helped the Credit Union post a net income of \$16.2 million. Assets totaled \$1.6 billion, a record high for the Credit Union, and our capital reached 9.34%, well above industry standards. This milestone was achieved through the support of our members who believe in our core initiatives.

Arizona State Credit Union member deposits increased by 5% from last year. Additionally, loans increased by 4%. As indicated by these figures, we are continuing to move forward and work toward improving our local economy. These are positive indicators that the Credit Union remains financially sound.

Arizona State Credit Union continued its ongoing support of community initiatives that positively contributed to the financial wellbeing of our members. As a part of our commitment to support economic growth within our communities, the Credit Union has made strides to upgrade its products and services to provide the ideal member experience. We have made great enhancements to our offering of business service products and have hired an experienced team of Business Relationship Officers who support and cater to the needs of our business members. We are proud to now offer cash management services, which provide our business members with user-friendly and convenient methods to manage their finances. On the consumer side, we have enhanced product offerings to provide the optimal member experience. This includes our Choice Rewards credit card, which rewards members for utilizing their line of credit. We have also enhanced our Online Banking security with a verification code feature to further safeguard member information.

In addition to ongoing efforts to improve member service, the Credit Union continued to host community events throughout the state. Following the tragic loss of the 19 Granite Mountain Hotshots in the Yarnell Hill Fire, the Credit Union, along with members and associates, donated over \$180,000 to the families of those who were lost. Additionally, for the fourth consecutive year, the Credit Union hosted Shred-a-Thon events at our Northern Arizona branches, where 48,193 pounds of sensitive documents were shredded and recycled, helping prevent identity theft.

Moving forward, we will continue to work to better understand member wants so that we may continue to assist our members with all of their financial needs. This year, we collected over 480,000 data points from surveyed members and non-members to better understand what is most important to them regarding their financial relationships. The results of these intensive survey efforts have provided key knowledge that will help propel our organization to the next level. Additionally, the knowledge we have gained will help us throughout this year and into the future as we are able to continually deliver consistent service through all channels.

Our survey efforts have helped us develop a member-experience strategy that ensures our members experience outstanding service throughout their journey with the Credit Union. We are looking forward to continuing to improve our value proposition, and to working with you and for you in the years to come.

David E. Doss



David E. Doss
President/CEO

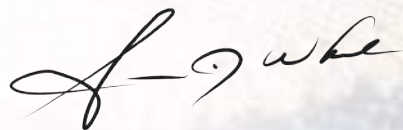
Since the inception of Arizona State Credit Union, our organization has maintained strong core principles. Chief among them is the importance of assisting our members in making important decisions regarding their financial situations. We are committed to better understanding the needs of our members, and in 2013, we made it a key initiative to determine the best way to provide enhanced service. Accordingly, we have developed a roadmap to deliver products tailored to your needs through your preferred service channels.

The board is dedicated to preserving the foundation of the Credit Union in such a way that we continue to remain relevant to our members. To do so, we gathered a significant amount of information that examined all aspects of the member experience. The touch points we uncovered have helped us gain a fresh perspective and a better understanding of our members and non-members. It is imperative that we continue to learn how to better serve our members, and we work to find ways to provide them with quality and consistent service in all channels, including in the branch, online and over the phone.

In addition to our commitment to providing a consistent level of service across all channels, the Credit Union is busy working to create even stronger value propositions to enhance member experiences that increase member loyalty. This commitment will provide better loan and dividend rates to our members, coupled with enhanced levels of service.

Throughout this year of discovery, the Credit Union remains as strong as ever. The Credit Union is still actively lending, and we have seen the largest membership growth since 2008. Due to our strong asset quality and capital, we are able to lend to consumers and business owners through a variety of methods that provide the experience our members expect and deserve from their 100 percent local financial cooperative.

I am proud to look back at the year the Credit Union has had and to see how we are continually progressive in our efforts to enhance our services. I feel honored to serve as the Chairman of an organization that continually adapts to change to better meet the needs of its members. I believe that, with the continued support of our members and community affiliates, we will continue to grow and serve the financial needs of our members.



Sam Wheeler
Chair

Board of Directors



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

Senior Management Team



From Left to Right;
Front Row:
David E. Doss,
President/CEO
David Sweiderk,
EVP Chief Operating Officer
Kim Reedy,
EVP Chief Financial Officer
Second Row:
Robert Gibboni,
SVP Risk Management
Bryan Nielsen,
SVP Support Services
David Downing,
SVP Fulfillment Operations



The Credit Union highlights the importance of participating in events that promote awareness and illness prevention efforts. In Tucson, Credit Union associates participated in the Climb to Conquer Cancer at "A" Mountain, where proceeds go toward funding cancer research.



- *Good for our community*
- *Good for local business*
- *Good for you*



Volunteering time to aid members of the community is a core component of what it means to be a 100 percent local financial cooperative. Associates volunteered with Habitat for Humanity and assisted in a variety of capacities, including donating funds and working pro bono to provide free services. Here, Habitat for Humanity volunteers worked to deliver furniture to those in need.



Community Commitment

A strong sense of community drives the Credit Union to continually find ways to equip the next generation with the skills they need to thrive. Associates in Phoenix participated in various community events throughout the year to support leadership, including Arizona State University's Martin Luther King Jr. Day of Service, where they assisted Girl Scouts with building and painting wagons for the ongoing use of each of the troops.

Supervisory Committee Report



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

Your Supervisory Committee volunteers are appointed by the Board of Directors. The committee is charged with ensuring that the assets of the Credit Union are safeguarded. This includes performing an annual independent audit, verifying membership account balances, meeting management's objectives and ensuring policies and procedures meet 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 June 30, 2013, the Arizona State Department of Financial Institutions and the National Credit Union Administration jointly completed their annual regulatory examinations. Additionally, CliftonLarsonAllen, a national CPA firm with recognized expertise in the credit union industry, was contracted to independently audit the Credit Union's financial statements. The firm stated that, as of December 31, 2013, the financial position and results of operations of the Credit Union are in accordance with accounting principles generally accepted in the United States of America. Within the scope of their audit, the firm found no significant deficiencies or material weaknesses in internal controls.

The Supervisory Committee has again 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

Arizona State Credit Union remained a strong and stable financial institution throughout 2013. The Credit Union's assets rose to record highs, totaling \$1.6 billion, with a net income of more than \$16.2 million for the year ended December 31, 2013. This strong financial performance places the Credit Union at the forefront of a number of its peer credit unions and in a position to offer the best products and services available to our members.

The Credit Union achieved \$953 million in total loans, an increase of 4% from 2012. Membership also increased in 2013 to 130,000, allowing deposits to increase by approximately 5%, totaling \$1.3 billion.

This growth demonstrates that members are utilizing the products and services offered by the Credit Union and are putting their trust in our local financial cooperative. A contributing factor can be attributed to the launch of the Credit Union's Choice Rewards credit card in May 2013, which provides members the option to receive rewards for making purchases with their credit card. In 2013, the Credit Union accepted over 4,700 Choice Rewards credit card applications to help members establish lines of credit. This equates to more than \$51 million in new lines of credit established, with the average member obtaining \$8,400 in unsecured credit.

Our 9.34% capital ratio is very well regarded by our regulators. The Arizona State Department of Financial Institutions and the National Credit Union Administration (NCUA) receives detailed information from Arizona State Credit Union on a quarterly basis to measure our financial strength and net worth. Together, with our independent auditing firm and the Credit Union's management team, we continually measure financial success.

Credit unions continue to receive annual assessments from our federal regulator, the NCUA, to help stabilize the Corporate Credit Unions. In 2013, these assessments totaled nearly \$1 million, down 12% from 2012.

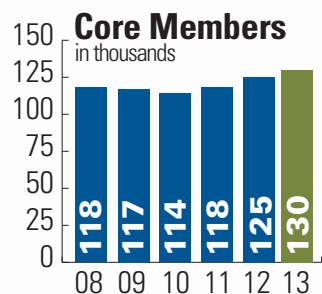
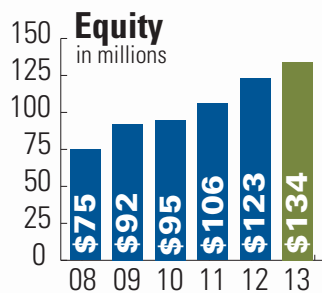
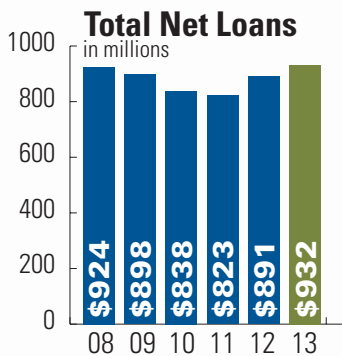
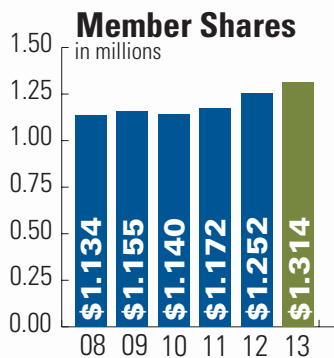
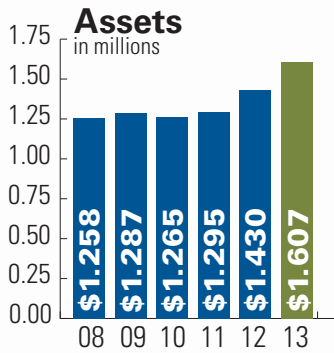
Our products and services have allowed us to develop a brand members can trust. As we look to the future, our commitment to providing quality products and services focused on helping our members achieve financial success remains our priority. I am pleased to report that given our strong operational, financial and membership growth in 2013, your Credit Union is well positioned for future growth.



Frank J. Felix
Treasurer

A handwritten signature in black ink that reads "Frank J. Felix". The signature is written in a cursive, flowing style.

Financial Statements



STATEMENT OF FINANCIAL CONDITION (audited)

(\$000s)

ASSETS - December 31

	2013	2012
Cash and cash equivalents	\$173,765	\$163,158
Investment securities:		
Available for sale	387,369	266,146
Other investments	25,135	22,045
Federal Home Loan Bank stock	7,003	7,161
Loans held for sale	1,526	3,289
Loans to members, net of allowance for loan losses	932,133	891,137
Accrued interest receivable	3,172	3,165
Foreclosed assets	2,762	3,406
Premises and equipment, net	44,568	47,121
NCUSIF deposit	12,466	11,895
Other assets	17,908	12,407
TOTAL ASSETS	\$1,607,807	\$1,430,930

LIABILITIES AND MEMBERS' EQUITY

	2013	2012
LIABILITIES		
Members' share accounts	\$1,314,356	\$1,252,347
Borrowed funds	149,000	35,000
Pension plan funded status	---	9,937
Accrued expenses and other liabilities	10,829	9,715
Total Liabilities	\$1,474,185	\$1,306,999

MEMBERS' EQUITY

Total members' equity	\$133,622	\$123,931
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TOTAL LIABILITIES AND MEMBERS' EQUITY	\$1,607,807	\$1,430,930
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STATEMENT OF INCOME (audited)

	2013	2012
Net interest income	\$43,446	\$44,146
Provision for loan losses	3,500	8,022
Net interest income after provision for loan losses	39,946	36,124
Non-interest income	33,089	38,411
Non-interest expenses	56,835	56,155

NET INCOME

NET INCOME	\$16,200	\$18,380
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One State of Mind

Our enhanced line of business services products, including cash management, and deposit and loan products, helps business owners like Steve Chatinsky (left) with every day expenses and business operations, so that he can spend less time worrying about finances and more time building lasting relationships with clients and staff.

To better meet the financial needs of our members, the Credit Union has made it a priority to enhance its products and services offerings. This includes the introduction of our Choice Rewards credit card, which provides incentive in the form of cash back, travel, gift cards, merchandise or charity donations. Special bonus options allow members to enjoy additional points at a faster rate, making the Choice Rewards card the perfect product for those who are interested in being rewarded while building their credit.

VISA

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Working as One

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Arizona State Credit Union
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Phoenix, AZ 85027
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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