



Annual Report 2011



Children read the powerful words engraved on the Arizona Liberty Bell located at the State Capitol.

Sixty Years of Service

Arizona Liberty Bell Represents Credit Union's 60 Years of Service

The Arizona Liberty Bell was cast over 60 years ago to promote U.S. Savings Bonds in Arizona. To commemorate the Credit Union's 60 years of service, replicas of the bell were created to represent the value of savings. As such, the bell is a symbol of the Arizona State Credit Union cooperative legacy and continued service to the state.

A Message from the President/CEO

This year we achieved a great balance of preserving our core initiatives while preparing the Credit Union for the opportunities that lie ahead. As we continued to meet members' needs with new services and community support, numerous processes and strategies were implemented in order to be well positioned for 2012.

At the start of the year, the Credit Union realigned numerous responsibilities with the single purpose of positioning Arizona State Credit Union for the future. Loyal members and dedicated associates, combined with the results of this organizational realignment, allowed the Credit Union to post a net income of \$8.3 million. Additionally, assets totaled \$1.3 billion and our capital rose to 8.9%. This is well above industry standards and signifies a well-capitalized financial institution capable of growth with the ability to withstand tough economic times.

Arizona State Credit Union's delinquency ratio was below 2% and deposits increased by 2.8% from last year. While 2012 will still hold challenges, these are positive indicators that the economy will continue to grow even stronger in the year ahead. There are great opportunities in front of us and the Credit Union is well prepared to take advantage of the improving economy.

The Credit Union celebrated several significant milestones in regards to our products and services. The launch of **atHome Deposit** greatly complements **atBusiness Deposit** and allows members the opportunity to deposit checks from the convenience of their homes. Additionally, mobile apps for the iPhone and Android are now available. New products such as these provide members with advanced technology and allow the Credit Union to remain a strong competitor in the financial services industry.

While the Credit Union continued to develop products and services that best meet members' needs, maintaining an active role in the communities we serve also remained a core value. We continued to partner with organizations focused on benefitting state employees, including Capitol Rideshare and the State Employees Charitable Campaign, in an effort to demonstrate the value of a cooperative.

For the second consecutive year, the Credit Union participated in Shred-A-Thon events at our Northern Arizona branches, where over 32,000 pounds of sensitive documents were shredded and recycled. A record-breaking heat wave in August gave even more value to our company-wide water drive, which provided the Phoenix Rescue Mission with a three-month water supply.

Honored with more than 30 national and international awards, the Credit Union was ranked the number one credit union for the sixth consecutive year by Ranking Arizona: *The Best of Arizona Business*.

In addition to generous industry recognition in 2011, this year marked the best membership year for the Credit Union in ten years. These statistics suggest consumers are becoming even more aware of the benefits of a financial cooperative. As such, 2012 will be a great opportunity to show the power of cooperatives in making a difference in members' lives. As part of our commitment to the Arizona communities we serve, a focus on sustainability and an even stronger member value proposition in the coming year will be the course for the Credit Union's future.

In closing, we are encouraged by the improving economy and people's desire to make a local difference. We are optimistic that this trend will continue to develop and play a significant role in Arizona's future. I truly believe that, with member and associate support, it is possible to show the Arizona community the value in buying local. I thank you for your continued support as we strive to better the organization and remain well situated to meet your needs now and in the future.



David E. Doss
President/CEO

A handwritten signature in black ink that reads "David E. Doss". The signature is fluid and cursive, matching the printed name above it.

Providing excellent member service is a core principle upon which Arizona State Credit Union was founded over 60 years ago. With the highest membership growth in ten years, this promise of service was pushed to the forefront even more in 2011. Such growth can largely be attributed to consumers, who are more ready to make life changes that affect the local Arizona economy, and are turning to credit unions for the value proposition they offer members. With a renewed hope to find a sustainable alternative to banks, consumers recognize credit unions are a viable option for their financial needs.

Serving as a refuge for consumers, credit unions remain an important part of the American financial system. By providing an opportunity for people to make choices, they offer a way to balance the unilateral decisions of banks. Not-for-profit financial cooperatives are easy to understand and promise an outstanding value proposition that benefits both the consumer and the community.

A healthy organization for more than 60 years, Arizona State Credit Union, along with other credit unions, is still actively lending. The Credit Union is able to do so because our asset quality and capital have remained high in the face of challenges arising from the financial system crisis. As such, consumers and businesses unable to obtain loans from banks often turn to credit unions, which can offer lower interest rates, to fill this void. By securing loans with a credit union, consumers are helping create local jobs and thriving communities.

We have seen a swing in buying habits as more consumers understand the real value in doing business locally, whether it's buying produce from local farmers or choosing a credit union as their financial institution. As we observe these changes, we continue to look for new ways to best meet members' needs. The Credit Union is committed to showing consumers the power of the cooperative in the coming year and will roll out a new account structure designed to reward those who more fully participate in the cooperative. People are making new choices and the Credit Union is responding to them.

I am proud to serve as the Chairman of a solid and secure Credit Union. Well capitalized, Arizona State Credit Union is positioned to continue providing outstanding value and service to our members. Our strategic long-term plans and strong member focus rank the Credit Union amongst the nation's strongest credit unions capable of making the changes desired by consumers. It is a privilege to serve our members and I thank you for your valued support and membership.



Sam Wheeler
Chair

A handwritten signature in black ink, appearing to read 'S. Wheeler', written in a cursive style.

Board of Directors



From left to right;
top to bottom:
Quentin Bogart, Director Emeritus
Jon Borge
Frank 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

Senior Management Team



From Left to Right;
Front Row:
David E. Doss,
President/CEO
Dyan Mashman,
SVP Chief Information Officer
Michael Emanuelli,
EVP Administration
Second Row:
Paul B. Stull,
SVP Strategy and Brand
Bryan Nielsen,
SVP Support Services
Kim Reedy,
EVP Chief Financial Officer
Chuck Anderson,
EVP Chief Credit Officer
Robert Gibboni,
SVP Risk Management
Dean Vigfusson,
EVP Retail Banking



Community residents bring boxes of old documents for shredding and recycling.

Shred-A-Thons

For the second consecutive year, the Credit Union sponsored Shred-A-Thon events at Northern Arizona branches. Nearly 1,000 people attended the seven events where 32,000 pounds of documents were shredded and recycled in a fight against identity theft.

The Credit Union welcomed over 100 new members during the Shred events and more than 163 trees were saved as a result of community recycling efforts.



The Credit Union

Difference



State employees received game tickets allowing them to win a prize during the Clean Air Campaign. Prizes included special offers when they opened a checking account, or applied for an auto or home loan at the Credit Union.

Clean Air Campaign

Our sponsorship of Capitol Rideshare's Clean Air Campaign allowed state employees to save more than 23,000 gallons of fuel and 500,000 miles during the campaign's two week period.

The Credit Union donated prizes to help drive participation and encourage employees to try carpooling or an alternate way to get to work. This was part of Capitol Rideshare's ongoing effort to educate state employees about alternative modes of transportation.

State Employees Charitable Campaign

We continued to support state employees with our sponsorship of the Arizona State Employees Charitable Campaign Trap Shoot. Associates sold raffle tickets for the 2011 Honda ATV that the Credit Union donated for the event.

Event donations totaling \$22,000 went to the Employees Helping Employees organization. The trap shoot is just one of many events the SECC hosts to raise money for more than 700 state charities.



Taking aim at a good cause – SECC Trap Shoot.



Arizona State Credit Union congratulates Sharon Pfister, ATV winner.

Supervisory Committee Report



From left to right;
top to bottom:
Hal Folette, Chair
Sandra Bufford
Bill Vandenbosch
Felix Adjei
not pictured:
Sara Click

Your Supervisory Committee volunteers are appointed by the Board of Directors. The committee is charged with protecting members' interests and ensuring that the assets of the Credit Union are safeguarded.

These responsibilities are accomplished through regular meetings with management to review Credit Union activities and audit results. Under the direction of the Supervisory Committee, an independent annual financial audit and a review of the system of internal controls are also conducted. A national CPA firm, with recognized expertise in Generally Accepted Accounting Principles and the credit union industry, was contracted to complete a certified audit of the financial statements as of December 31, 2011. Within the scope of their review, the CPA firm found no significant deficiencies or material weaknesses in internal controls.

The Arizona State Department of Financial Institutions and the National Credit Union Administration jointly completed a regulatory examination as of September 30, 2011, to review the safety and soundness of the Credit Union and areas of potential risk. Within the scope of their examination, no significant or material findings were reported.

Hal Folette
Chair

Treasurer's Report

Arizona State Credit Union remained a strong and stable financial institution throughout 2011. Due to the decline of consumer loan charge offs and an improving economy, Provision of Loan Losses requirements were lowered. This positively affected the Credit Union and provided the opportunity to grow our net income more than \$4.5 million to total \$8.3 million for the year ended December 31, 2011. This is a strong financial performance and positions us to continue producing products and services that best meet the needs of our members.

As of December 31, 2011, assets totaled \$1.3 billion. Our loan portfolio declined by 2.3% during the year, primarily due to a decrease of \$18 million in our business loan portfolio and the restructuring of our residential real estate portfolio. However, we generated more than \$338 million in new consumer loans as we experienced improving loan demand. Deposits increased 2.8% and totaled \$1.17 billion at year end, and our return on assets improved to 0.65%.

Our capital ratio grew to 8.9%, which is considered well-capitalized by our regulators. The Arizona State Department of Financial Institutions and the National Credit Union Administration (NCUA) receive detailed information from Arizona State Credit Union on a quarterly basis to measure our 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 2011, these assessments totaled \$2.8 million, down 3.2% from 2010.

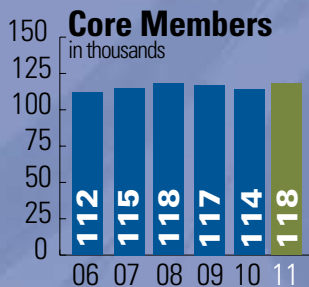
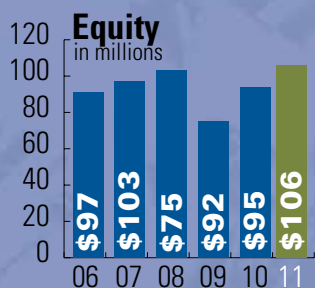
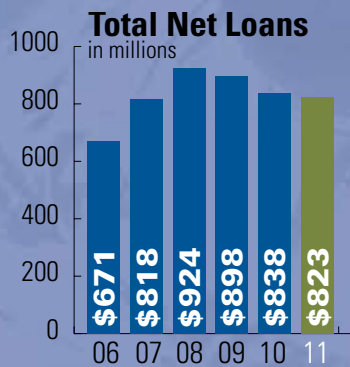
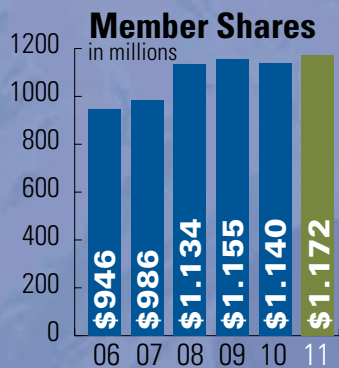
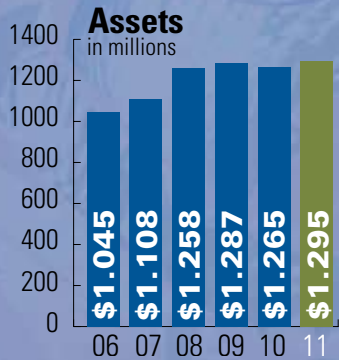
Our products and services have allowed us to develop a brand members can trust. As we look to the future, we will continue our commitment to providing quality products and services to help members achieve financial success. I am pleased to report that with strong operational, financial and membership growth in 2011, the Credit Union is well positioned for future growth.



Frank 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 (unaudited)

	2011	2010
ASSETS - December 31		
Cash and cash equivalents	\$52,416	\$11,399
Investment Securities:		
Available-for-sale	302,744	305,665
Other investments	27,672	22,595
Federal Home Loan Bank stock	5,967	6,840
Loans held-for-sale	2,499	640
Loans to members, net of allowance for loan losses	823,648	837,885
Accrued interest receivable	3,899	4,805
Foreclosed assets	8,351	8,417
Premises and equipment, net	47,468	49,327
NCUSIF deposit	11,096	11,081
Other assets	9,430	6,941
TOTAL ASSETS	\$1,295,190	\$1,265,595

LIABILITIES AND MEMBERS' EQUITY

	2011	2010
LIABILITIES		
Members' share accounts	\$1,172,130	\$1,140,632
Borrowed funds		19,000
Pension plan funded status	8,605	5,627
Accrued expenses and other liabilities	8,213	4,555
Total liabilities	\$1,188,948	\$1,169,814

MEMBERS' EQUITY

Total members' equity	\$106,242	\$95,781
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TOTAL LIABILITIES AND MEMBERS' EQUITY

	\$1,295,190	\$1,265,595
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STATEMENT OF INCOME (unaudited)

	2011	2010
Net interest income	\$47,114	\$49,296
Provision for loan losses	12,528	22,337
Net interest income after provision for loan losses	34,586	26,961
Non-interest income	27,355	27,285
Non-interest expense	53,603	50,699
NET INCOME (LOSS)	\$8,338	\$3,547

One State of Mind



Cliff Danley, associate at the Phoenix Rescue Mission, loads cases of water into the Hope Coach.

Phoenix Rescue Mission Donations

More than 2,000 cases of water were donated to the Phoenix Rescue Mission during the Credit Union's company-wide water drive in August. Summer temperatures spiked at 117 degrees, which was the hottest temperature recorded in August since 2001.

With the Phoenix Rescue Mission distributing approximately 4,000 water bottles a week to the homeless, the Credit Union's donations were enough to support the Mission for at least three months.

The Phoenix Rescue Mission directly impacts local communities and provides immediate assistance to those in need.



One State Of Mind

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OFFICE LOCATIONS
602.467.4081 / 800.671.1098
www.azstcu.org

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
6464 N. Oracle Road
1001 N. Park Avenue