





## *Making all the difference*

### **Tiffany M. Huff :**

Tiffany Huff finds great convenience in using Arizona State Credit Union's full-service ATMs where she can now deposit checks and withdraw funds in moments. A member since 2004, Tiffany is happy to call Arizona State Credit Union her financial institution of choice. "Accessing my account couldn't be easier now that I can take care of all my transactions when it is convenient for me, even if it's after branch hours," said Tiffany.

Arizona State Credit Union supports and encourages members' financial success to ensure Tiffany and all members meet their financial goals. In order to support such growth, the Credit Union continuously looks to enhance the member experience with new services and features.

## A Message from the President/CEO

It is remarkable to think that this year marks Arizona State Credit Union's 60th anniversary. As we approach this milestone, I have great pride in leading an organization that continues to make a great difference in the lives of so many members. We continue to assist members and play an active role in the communities we serve all while striving to better our organization to ensure we are well situated to meet growth and members' needs in the future.

With the help of our loyal members and dedicated associates, assets totaled \$1.3 billion and we were able to post net earnings of \$3.5 million for the year ended December 31, 2010. Our earnings were primarily composed of core business operations, but were once again reduced by NCUA deposit insurance stabilization costs of \$2.9 million. Our capital, which allows us to withstand challenging economic conditions and grow the Credit Union, was 8.44%. This is above industry standards and signifies a well-capitalized financial institution.

Operating expense growth was controlled to less than 1% when compared to 2009, as we continue to seek process improvements to ensure efficiency and value across the organization. The difficult economy still proves challenging for many Arizonans; as a result, deposits decreased by 1.2% and loans decreased by 6.7%. In 2011, we expect membership and loan growth to turn very positive as our local employment improves.

In the fall of 2010, we opened the re:thinkbanking center in Arizona State University's (ASU) Memorial Union to replace our legacy campus location. The purpose of this innovative concept was to challenge university students and faculty members to re-imagine the concept of the traditional financial institution. Just down the street from ASU's location, we opened a full-service branch offering added convenience for all members, increasing the Credit Union's market share in Tempe and positioning your Credit Union for future growth.

We expanded our electronic services throughout 2010 with the introduction of full-service ATMs, allowing members to easily access their accounts, deposit checks or withdraw funds. For further convenience, eDeposit will be available in early 2011 for members to electronically deposit checks into their savings or checking accounts from home and, eventually, by cell phone.

In addition to expanding our services, giving back to the communities we serve has remained a core initiative this past year. For the third year, the Community Leaders Scholarship and Loan Reduction Grant programs awarded more than \$33,000 to 17 well-deserving students at Arizona colleges and universities. 2010 also marked the first year of our Shred-A-Thon program allowing members to safely destroy sensitive documents at our branches while learning more about how to proactively protect against identity theft.

We continue to receive industry recognition and were the recipient of 25 regional, national and international awards. Besides receiving honors for social responsibility and philosophy in action, the Credit Union was ranked the number one credit union for the fifth consecutive year by Ranking Arizona: *The Best of Arizona Business* and was awarded the Peter Barron Stark Workplace Excellence award for the fourth time.

In closing, we are encouraged to see some limited signs of improvements in economic conditions and are cautiously optimistic that this trend will continue to develop over the next few months. We see a bright future for the state of Arizona and we will be there with advanced services to support you in the opportunities that lie ahead. We will continue to serve our members and communities with the same dedication as was promised in the principles upon which Arizona State Credit Union was founded 60 years ago. It is our members' financial well-being and success that contributes to our success. Thank you for your continued support.



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.



As Arizona State Credit Union approaches its 60th anniversary and we observe the changes that occurred in the financial industry this past year, it is important to recognize that the principles the Credit Union was founded upon have not altered. With legislation forcing reforms across all financial institutions, including the Credit Union, we continue to look for new ways to best meet members' needs. You will see how this remains a core value for the Credit Union throughout this year's annual report as we focus on new electronic services that further enhance the member experience.

Your Credit Union is facing more regulatory burdens as new pieces of legislation get approved. Such regulations affect our ability to provide members with no or low cost products and services, and remains a challenging situation for the Credit Union as we expect to see additional regulations in the future. I want to assure you that your Board of Directors and our management team will remain actively engaged in advocating for the member at state and national levels, ensuring we have a voice in the legislative process.

A healthy organization for 60 years, Arizona State Credit Union has a sustainable financial model that allows it to remain an independent financial cooperative. Contributing to this success, dedicated associates have committed their efforts to providing a strong member-focused foundation that will allow for growth of membership and services now and in the years to come.

While mindful of the state of the economy and the challenges still ahead, Arizona State Credit Union remains solid and secure. Strategic long-term plans, conservative lending and a strong member focus have allowed us to stay ahead of economic conditions and rank amongst our nation's strongest credit unions and, as a result, we remain a well capitalized institution that is positioned to provide outstanding value and service.

I am proud to serve as your Chairman following in the footsteps of past volunteers, including the Honorable Governor Rose Mofford, whose early contributions helped shape the course for the Credit Union as we began serving state employees. It is with pride that I tell you we now serve more than 100,000 employees across the state of Arizona. I am certain we are standing on a foundation built upon strong principles that is sure to withhold for years to come. It is a privilege to serve our members and I sincerely thank you for your valued support and membership.



Sam Wheeler  
Chair

A handwritten signature in black ink that reads "Sam Wheeler". The signature is stylized and cursive.

## Board of Directors



From left to right;  
top to bottom:  
Quentin Bogart  
Jon Borge  
Frank Felix, Treasurer  
Ray O'Connor  
Connie Ohanesian, Secretary  
Shane Siren, Vice Chair  
Joseph C. Smith  
Sam Wheeler, Chair  
Marquetta White  
Martha Rozen, 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  
Chuck Anderson,  
EVP Chief Credit Officer  
John Carson,  
EVP Chief Financial Officer  
Robert Gibboni,  
SVP Risk Management  
Dean Vigfusson,  
EVP Retail Banking





The Credit Union

*Difference*

**Tuck Bettin,**  
General Manager and Partner





### Partnering for Success

Tuck Bettin and Partner Mike Cahill were certain Cobblestone Auto Spa would be successful with a diversified business model that promised to fulfill many customer care needs at each location. They invested the same efforts in choosing their business lender, Arizona State Credit Union. With the Credit Union's reputation for favorable note terms

and associates that provide a business partnership mentality, it has proven to be a successful partnership.

"Arizona State Credit Union has helped Cobblestone Auto Spa remain financially competitive through tough economic times," said Bettin. "This business partnership has enabled us to remain very healthy and create opportunities for an even stronger position in the marketplace."

### eDeposit

The decision to partner with Arizona State Credit Union is now even easier with eDeposit for business and home. This remote deposit solution gives you the ability to deposit checks from the office or home using a secure online connection, saving time and money.

**Jason Horn,**  
Car Wash Manager

## Supervisory Committee Report



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

Your Supervisory Committee volunteers are appointed by the Board of Directors. The Committee is charged with protecting our members' interests and ensuring that the assets of our 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 review of the system of internal controls is also conducted. A national certified public accounting (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, 2010. 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, 2010, 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

Despite the economic challenges businesses and organizations continue to experience, Arizona State Credit Union has remained a strong and stable financial institution. The Credit Union recognized net income for the year ended 2010 of \$3.5 million. These earnings mostly derived from our core business operations. This is a strong financial performance when noting the continued economic and regulatory factors that affected all financial institutions this past year.

As of December 31, 2010, assets totaled \$1.3 billion. Despite a 41% increase in real estate loan origination of \$175 million, the net loan growth reflected a decrease of 6.7%, ending the year at \$837.8 million. This was primarily due to the sale of \$97 million of loans to investors as part of our balance sheet management strategy. Deposits decreased 1.2% and totaled \$1.1 billion, with a change in mix from Certificates of Deposit to Share Draft and Money Market Accounts. Our return on assets was 0.27%.

Our capital ratio at year end grew to 8.44% 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 performance.

The Credit Union continues to face increasing assessments from the Credit Union Share Insurance Fund. These assessments are made by our federal regulator, the NCUA. Our 2010 payments totaled \$2.9 million. We expect the 2011 contribution to be at least as much and we expect these higher costs to continue over the next several years.

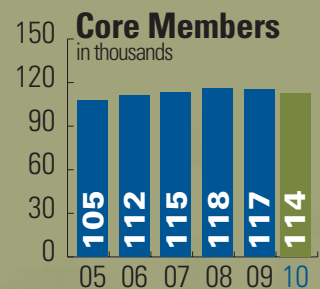
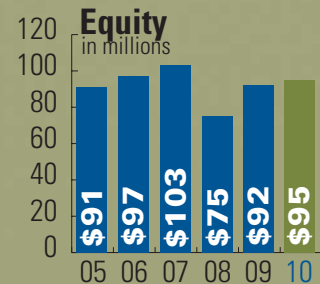
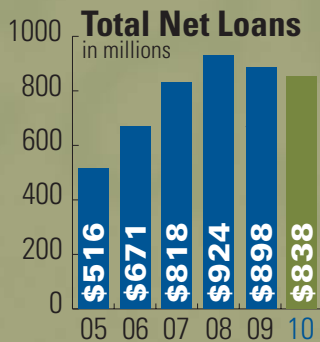
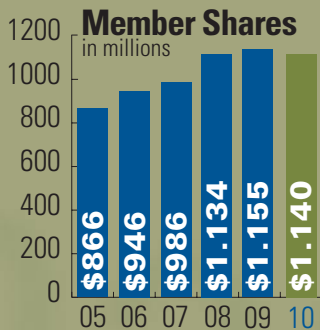
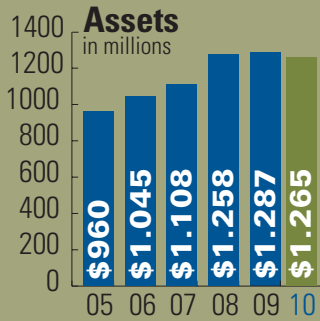
Our products and services have allowed us to develop a brand members can trust. As we look to the future, we will continue our commitment to providing quality products and services to help our members achieve financial success. I am pleased to report the Credit Union is safe, strong, secure and well 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)

	2010	2009
<b>ASSETS - December 31</b>		
Cash and cash equivalents	\$11,399	\$41,281
Investment Securities:		
Available-for-sale	305,665	246,313
Other investments	22,595	17,472
Federal Home Loan Bank stock	6,840	5,044
Loans held-for-sale	640	1,829
Loans to members, net of allowance for loan losses	837,885	897,666
Accrued interest receivable	4,805	4,288
Foreclosed assets	8,417	7,875
Premises and equipment, net	49,448	49,448
NCUSIF deposit	11,081	11,430
Other assets	6,820	4,491
<b>TOTAL ASSETS</b>	<b>\$1,265,595</b>	<b>\$1,287,137</b>

### LIABILITIES AND MEMBERS' EQUITY

<b>LIABILITIES</b>		
Members' share accounts	\$1,140,632	\$1,154,854
Borrowed funds	19,000	29,605
Pension plan funded status	5,627	6,544
Accrued expenses and other liabilities	4,555	3,992
<b>Total liabilities</b>	<b>\$1,169,814</b>	<b>\$1,194,995</b>

### MEMBERS' EQUITY

Total members' equity	\$95,781	\$92,142
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$1,265,595</b>	<b>\$1,287,137</b>

### STATEMENT OF INCOME (unaudited)

	2010	2009
Net interest income	\$49,298	\$47,460
Provision for loan losses	22,337	18,498
Net interest income after provision for loan losses	26,961	28,962
Non-interest income	27,285	30,587
Non-interest expense	50,699	45,395
<b>NET INCOME (LOSS)</b>	<b>\$3,547</b>	<b>\$14,154</b>



## Online Banking

Accessing your account is simple with Arizona State Credit Union's Online Banking application. Log on to Online Banking and you can complete your transaction, whether it's opening an account or transferring funds, in minutes.

# *One State of Mind*



### **re:think**banking center

Joseph Rodriguez assists Zulema Naegele, Arizona State University (ASU) employee, with her account at the re:thinkbanking center, which opened in the fall of 2010.

Located inside the Memorial Union at ASU, this unique center was created with the innovative purpose of challenging university students and faculty members to re-imagine the concept of the traditional financial institution.

While the facility has a full-service ATM, it has no tellers. Instead, staff members – who are all current or past ASU students – act as campus ambassadors, recruiting new members, educating them about financial literacy and instructing them on how to interact with the Credit Union electronically.



One State Of Mind

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OFFICE LOCATIONS  
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2721 S. San Tan Village,  
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Drive, Suite 106  
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4701 W. Thunderbird Road

PAYSON  
104 E. Highway 260, Suite C

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