



## *2015 Annual Report*



# PRESIDENT'S REPORT

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On this, the occasion of our 2015 Annual Report and the year 2016 being the 80-year anniversary of Arizona Federal Credit Union, I pose a most relevant question – what is membership in Arizona Federal Credit Union worth?

Your member-elected Board of Directors, management team and staff ask ourselves that question regularly as part of our ongoing efforts to fulfill our promise and ensure that the value of membership is worth more than the cost of dues.

To answer, I offer this partial list of valuable benefits available to all members in 2015:



**Ronald L. Westad**  
*President & CEO*

- A comprehensive **identity-theft protection** package (IDProtect™) to all members and their households that includes identity, credit report, and debit and credit card monitoring; recovery assistance; and insurance to offset the cost of restoration should an identity theft occur. This package compares favorably to those for which many consumers pay \$8 or more every month.
- As part of that IDProtect package, ongoing **access to credit reports and scores**. Other credit report offerings may differ in details, but at least one we've seen costs \$24.95 per month.
- In conjunction with our “My Comeback with Kurt Warner” web series, **free credit consultations** to help members get a handle on where they stand credit-wise. We offer the tools and expert guidance to improve credit scores and reach credit goals.
- Access to the **Entertainment® discount program**, offering discounts at thousands of local and national restaurants and retailers through a mobile app or online. Many of these discounts are worth \$15 to \$25 individually, so if it's used regularly, the monthly value of this benefit can easily reach \$100 or more.
- **CardPower™**, our exclusive mobile app that allows unrivaled control of your credit and debit cards. Thousands of members are taking advantage of the ability to turn their cards on and off, set spending limits, get immediate alerts of activity and more. With nothing to compare it to, it's hard to put a dollar value on it, but the peace of mind it can provide is priceless.
- Additional **deposit-automation ATMs** throughout our network, providing the ability to make cash and check deposits 24/7 and have immediate access to funds in most cases. If that means having funds available in time to, say, cover your mortgage, the savings in both dollars and hassle could be substantial.
- **Touch ID and Eyepoint ID™ on our mobile apps**, replacing old-fashioned passwords with biometric security that's second-to-none. And these were just two of the improvements we made to our mobile lineup as we work to remain a leader in providing state-of-the-art technology that saves members time and expense in managing their finances.
- For our borrowers, we added an “**anytime skip**” feature to CU Online and our mobile app, offering the ability to choose to skip a loan payment once per year on qualified loans. And we provided this option for free, while most other lenders that offer such a program assess fees of \$25 or more per skip.

- And last but not least, we finished the year by making our fourth straight **PLUs payout**, this one in the amount of \$5 million, paid to more than 86,000 participating members. The lowest individual payout was \$36 – every active and participating member received back at least what he or she paid in dues for the year, and some received well above that amount.

That’s a partial list of value that exceeds the cost of dues – that’s what membership in Arizona Federal Credit Union is worth.

Of course, we also continued providing the core services for which most of you first came to Arizona Federal, including deposit and payment accounts that pay competitive dividend rates and offer great convenience, our Visa® Platinum credit card with Scorecard® Rewards and market-leading low interest rates, competitively-priced loans for nearly every purpose, and much more. And through our subsidiaries Arizona Federal Insurance Solutions and Arizona Federal Financial Services we helped members protect their assets and plan for the future.

When you add it all up, what’s the total? Have we succeeded in making membership worth more than you pay for it? As a member myself, I’d argue that the value of my membership in Arizona Federal far exceeded what it cost me in 2015. I trust you’ll reach the same conclusion.

As we move into 2016, we’ll continue to invest your capital in improvements to our mobile apps, increase our data and network security to guard against cyber crime, introduce EMV “chip” cards for greater payment security, expand our call center hours, and more.

As always, I offer thanks to our Trustees, the Board of Directors and Supervisory Committee, for their dedicated leadership; to my co-workers for their efforts and commitment to the cause; and to our active and participating members for their ongoing support of their cooperative. We created substantial value together in 2015, and together we’ll create even more as we move forward. And that, more than anything, *is* the power of *Us*.

Sincerely,

Ronald L. Westad  
*President & CEO*



## CHAIRWOMAN'S REPORT

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As chairwoman of your member-elected Board of Directors it is my privilege to report to you on the progress made by our cooperative in 2015.

As the year began, we launched a project unlike anything we had ever done before: our web-based reality show, “My Comeback with Kurt Warner.” The idea was to select four individuals or couples who were in need of a fresh start financially, pair them with coaches, and see who could make the most progress toward their financial goals. These were actual members, helped by actual credit union employees to overcome actual – and rather severe – financial challenges. Happily they all made significant progress, and Thalia, our winner, took home a nice cash prize.



**Cathleen Gleason**  
*Board Chairwoman*

While the show made for good viewing – and helped increase awareness of Arizona Federal in the marketplace – I mention it because it is such a great illustration of what Arizona Federal is all about. Every day, in our Serv *Us* Centers, by phone and via our mobile and online channels, our members turn to us for help overcoming financial challenges. These challenges range from finding ways to effectively manage deposits and payments, to securing credit to finance needs and desires, to protecting their assets and preparing for the future. And every day, whether person-to-person or through state-of-the-art technology solutions, we provide the tools, education and advice members need to succeed. It's why we exist, and the more we empower our members to succeed, the more success the cooperative enjoys as well.

By that or any other measure, 2015 proved to be another good year for Arizona Federal. We lent more to members than in any year since 2007; our assets under management and net worth both increased; members entrusted us with nearly \$90 million more of their hard-earned savings than a year earlier; and members continued keeping their commitments to each other as our charged-off loans decreased again. As a result, we were able to make a *PL Us* (Payback for Loyalty to *Us*) payout for the fourth straight year, distributing \$5 million to more than 86,000 participating members.

But as good as 2015 was, we want 2016 to be even better: more borrowing needs met; more technology made available to make managing our money more convenient and secure; more financial coaching and education delivered to members; and more *PL Us* paid out to more participants. How will we accomplish all of that? Well, the only way we know of is for more members to take advantage of the benefits of their membership. We'll do all we can to raise awareness of those benefits, but the real power lies with you, the members. When you have a need, be it for financing, paying for purchases, insurance, investments or financial education, give us a chance to earn your business.

Thank you for your membership, and for placing your trust in our cooperative. It is our pleasure to serve you.

Cathleen Gleason  
*Board Chairwoman*

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# TREASURER'S REPORT

In 2015, Arizona Federal continued to experience strong financial results. Highlights of our performance from this year include:

- Net operating income of \$15.3 million (after a \$5 million *PLUs* payout to members)
- Total net worth of \$197.3 million, a 14.6 percent year-over-year increase
- An 11 percent increase in new loan originations totaling \$175.6 million
- Total loans to members grew to more than \$577 million, a 3.2 percent increase from 2014
- Loan delinquency decreased from 0.61 percent to 0.50 percent
- Total member deposits grew to \$1.2 billion

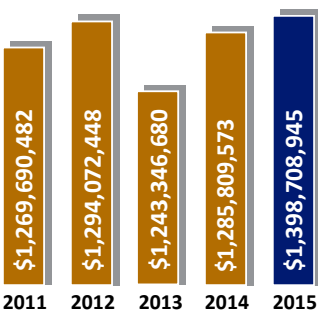


**J.R. Pooler**  
*Treasurer*

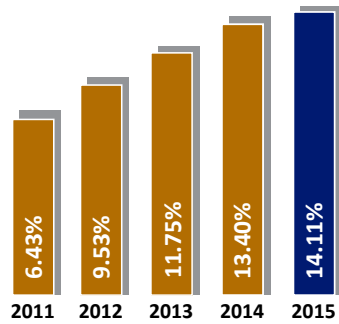
Federal examiners have once again given Arizona Federal the highest rating possible. We remain well capitalized – with a 14.11% net worth-to-asset. This is a testament to our continuing financial strength, guided by the principles of safety and soundness. These practices ensure that our members' assets will be protected for years to come. As Treasurer, I am confident that we will continue to fulfill Arizona Federal's exceptional financial status far into the future.

J.R. Pooler  
*Treasurer*

**Total Assets**



**Net Worth**



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# SUPERVISORY COMMITTEE REPORT

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The Supervisory Committee is a group of three member-volunteers appointed by the Board of Directors to provide oversight of the policies, procedures and practices used to safeguard members' assets and meet the required financial reporting obligations.

The Supervisory Committee performs several specific functions, which include:

- Ensuring internal controls are established and effectively maintained to protect members and the credit union
- Monitoring the timely preparation and accuracy of accounting records and financial reports
- Contracting for an independent verification of financial reporting and member accounts
- Overseeing the proper administration of and adherence to the rules and regulations guiding federal credit unions

The Supervisory Committee continues to work closely with the Compliance and Review Services Department to confirm internal controls provide sufficient safeguards. In addition to our regular Supervisory Committee meetings, the committee members participate in the monthly Board of Directors meetings, planning sessions and special committees as deemed appropriate to assist with decision-making in support of credit union initiatives.

Your Supervisory Committee members, Bill Greene, David Albertson and I remain committed to you and to the mission, vision and values that are the foundation of Arizona Federal. We are grateful for the opportunity to serve you.

Jeff Barton  
*Supervisory Committee Chair*



# CUSO REPORT

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A Credit Union Service Organization (CUSO) is established to primarily serve the needs of its credit union owner. Its business relates to the daily operations of the credit union it serves. Arizona Federal owns two CUSOs – Western States Financial Group, LLC (WSFG) and Arizona Federal Insurance Solutions, LLC (AFIS). Both are wholly-owned subsidiaries of Arizona Federal. Through these subsidiaries we are able to provide the value of additional services to all of *Us* that complement our core credit union services. Currently we operate Members' Auto Center (MAC) through WSFG and The Arizona Group (TAG) through AFIS.

## Western States Financial Group, LLC

MAC is a partnership of WSFG and Centennial Leasing and Sales, Inc. This service was designed to provide all of *Us* with a more convenient car buying experience. MAC allows *Us* to conveniently shop and purchase a vehicle, complete all title and registration paperwork, obtain financing, purchase extended warranties or other protections, and even have our new cars delivered to the Serv *Us* Center that is most convenient for *Us* – all without having to visit a dealership!

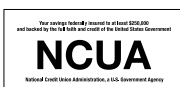
## Arizona Federal Insurance Solutions, LLC

Through the insurance professionals at TAG, members have access to a full suite of insurance services, including automobile, homeowners, business, life and health insurance protections. With access to a number of insurance providers, TAG is able to match individual needs to a policy that provides the best solution for coverage and value.

We are pleased to report that both WSFG and TAG continue to make valuable contributions to members who utilize their services and are committed to our mission of providing expertise.



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