

2017

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Larry Pfeiffer Chairman
 Mark Denke..... Vice Chairman
 Ted Dwyer Treasurer
 Sandy Watts Secretary
 Patrick Huston Director
 John Riddle Director
 Brian Raczynski Director

SUPERVISORY COMMITTEE

Veronica Piotrowski Chairman
 Eric Spicer Member
 Stephanie McQuillan Member

STRATEGIC MANAGEMENT TEAM

Todd A. Pearson President & CEO
 Greg Harden Executive Vice President & CFO
 Janet Moodie Senior Vice President & COO
 Justin Whitesides Senior Vice President, CAO & General Counsel
 Bronwyn Medley Vice President & CMO
 Kathy Pluhowsky Vice President, Financial Resolution
 Yvette Clay Vice President, Lending
 Mike Neill Vice President, Finance & Accounting

BRANCH LOCATIONS & HOURS

Branch Locations

- Chandler**
1805 W. Chandler Blvd.
- Flagstaff**
2521 N. West St.
1948 S. Woodlands Village Blvd.
- Glendale**
6901 W. Bell Rd.
5552 W. Glendale Ave.
- Phoenix**
2020 N. Central Ave., Suite 100
- Show Low**
4451 S. White Mountain Rd., Suite D
- Tempe**
3350 S. Price Rd.
- Tucson**
787 S. Alvernon Way
2150 W. Ina Rd.
- Plus**
More than 5,600 branches nationwide through the CO-OP Shared Branching Network

ATM Locations

- Arrowhead Hospital**
18701 N. 67th Ave., Glendale
(cash dispense only; near cafeteria)
- West Valley Hospital**
13677 W. McDowell Rd., Goodyear
(cash dispense only; near cafeteria)
- Wickenburg Community Hospital**
520 Rose Lane., Wickenburg
(accepts deposits; near cafeteria)
- 2020 Lobby**
2020 N. Central Ave., Phoenix
(cash dispense only)
- Plus**
Nearly 30,000 surcharge-free CO-OP ATMs nationwide!

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Call or go online
(602) 264-6421 or toll free at 1-866-264-6421
azcentralcu.org

Hours of Operation

Mon, Tue, Thr, Fri **9 a.m. - 5:30 p.m.**
Wed **10 a.m. - 5:30 p.m.**
Sat **10 a.m. - 2 p.m.**
Via Phone Only Support & Lending Departments



Company NMLS #485260



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Federally insured by NCUA



MANAGEMENT REPORT



FINANCIAL FOCUS

The overall U.S. economy grew at an annual rate of 2.5% in 2017, compared to 1.5% in 2016. Economists feel confident that the United States will reach a record, tenth year of economic expansion in 2018. Since World War II, each average economic expansion cycle has lasted approximately 5 years. The last three expansion cycles lasted an average of 94 months or 8 years each. The current economic expansion began in July 2009 and passed the 94-month (8 year) milestone over 6 months ago. One blemish on this long run expansion is that, even though the economy continues to demonstrate positive growth, it continues to lag behind the long term economic growth rate of 3.3%.

With the continued improving economy, the Federal Reserve Open Market Committee (FOMC) continued the process of normalizing interest rates and presented a plan to “reduce” the Federal Reserve balance sheet during 2017. After 3 federal fund rate increases in 2016, the FOMC raised rates three more times in 2017, ending the year with a federal funds target rate of 1.25% to 1.50%. Most economists are forecasting three additional rate increases in 2018, with a year-end federal funds rate expected to be at 2.0% to 2.25%.

Arizona Central Credit Union continued to benefit from this continually improving economy, with total assets increasing by approximately \$17.5 million in 2017. This is only a little lower than the increase of \$21.5 million that occurred in 2016. Deposit growth continued in 2017 by increasing approximately \$17.5 million. Lending was also strong in 2017, with the loan portfolio totaling \$341.1 million and a 78.9% loan to share ratio at year-end 2017. This is compared to a loan portfolio totaling \$317.4 million and a 76.8% loan to share ratio at year-end 2016. Arizona Central’s financial picture continued an upward trend during 2017, with net income of \$1,343,000 during the year and a year-end capital ratio of 8.4%.

MEMBER FOCUS

We continued the journey to providing our members simple solutions throughout 2017. We consolidated our checking account products, based on member input and testing, so that one product has multiple ways to allow our members to avoid a monthly maintenance fee. The new checking account structure also offers the flexibility for our members to choose different options each month!

We implemented a tiered fee structure for our Overdraft Privilege Program (ODP) so that the fee is dependent on the transaction amount. This new strategy will reduce fees for 78% of the transactions accessing ODP, saving our members money when these situations arise.

2018 will see the deployment of additional strategies to reward our members for bringing more of their business to Arizona Central! The continued growth of our credit union is demonstrative of our members’ confidence and satisfaction. We are sincerely grateful for your business.

COMMUNITY FOCUS

Our community impact mission statement, “Empowering our communities through volunteering, financial education and gifting,” is wholeheartedly embraced by our team! We are very proud that 99% of our employees volunteered 2,183 hours and collectively raised over \$177,000 in 2017.

Our 6th Annual Golf Benefit raised \$75,000 for Cancer Support Community AZ, one of our Strategic Partners. Our golf benefit has raised over \$330,000 for our community’s non-profits since its inception.

2018 will see a focus on financial education, partnering with elementary schools to teach good savings habits for a lifetime.

Respectfully submitted,

Larry Pfeiffer, Chairman
Todd Pearson, President/CEO

SUPERVISORY COMMITTEE REPORT

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The volunteers of the Supervisory Committee are appointed by the Board of Directors to watch over members' interests in Arizona Central Credit Union. Each year we review the Credit Union's records to ensure staff carried out their duties responsibly and that Arizona Central was properly operated, while maintaining all required documentation and conforming to all applicable laws, regulations, and internal policies.

To assist in these duties, we rely on external auditors and internal staff whose responsibility is to report to us on the adequacy of the Credit Union's internal controls over various areas of the Credit Union's operations. In addition, the Committee retained Doeren Mayhew CPAs and Advisors, a national CPA firm with recognized expertise in the credit union industry, to verify members' accounts and perform an opinion audit based on the Credit Union's financial statements.

Doeren Mayhew concluded that the financial statements present fairly, in all material respects, the financial position of Arizona Central Credit Union as of December 31, 2017. It also concluded that results of Arizona Central's operations and cash flows are in accordance with accounting principles generally accepted in the United States.

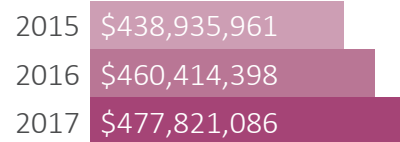
Based on Doeren Mayhew's report, the reports of other external auditors and staff reports, the Supervisory Committee has concluded that Arizona Central remains compliant with all applicable policies, laws, and regulations. We would like to thank the Board of Directors and the members of Arizona Central Credit Union for the privilege of serving them.

Respectfully submitted,

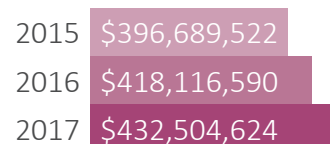
Veronica Piotrowski, Supervisory Committee Chairman

COMPARISON TABLES

ASSET GROWTH



DEPOSIT GROWTH



MEMBER SERVICES & BENEFITS

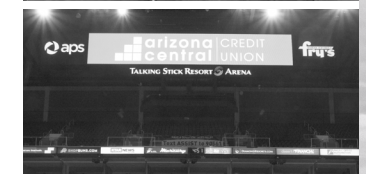
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- Member Share Accounts
- Simple & Money Market Checking Accounts with Visa® Check Cards
- Money Market Savings Accounts
- Certificates & IRAs
- Health Savings Accounts
- You-Name-It Savings Accounts
- New & Used Vehicle Loans
- Credit Union Advantage & AutoSMART
- Lines of Credit
- Signature Loans
- Mortgages & Home Equity Loans
- Visa® Gold, Classic & Secured Credit Cards
- Quik Money Card (ATM-only card)
- Business Savings, Checking, Credit Cards & Loans
- Commercial Real Estate Loans
- eBRANCH Remote Deposit
- Online Money Management Tool
- Easy Pay & Funds Transfer
- Mobile Banking, SMS Banking & Mobile Apps
- Payroll Deduction & Direct Deposit
- Central Phone Banking
- CO-OP Shared Branch Network
- CO-OP Surcharge-Free ATM Network
- eBRANCH Online Banking & Bill Pay Services
- Mechanical Breakdown Protection & GAP Policies
- MEMBER'S CHOICE™ Borrower Security
- Arizona Central Financial Services*
- Auto & Homeowner's Insurance through TruStage™
- Roadside assistance with Member's Roadside Advantage™
- Life Insurance through Voya® Financial Partners
- Monkey Money Savings Program (12 years old & younger)
- CU Succeed Savings Program (13-17 years old)
- Free Notary Public Services
- 24-Hour Depository
- Vacation & Travel Discounts

*Securities and Investment Advisory Services Offered Through Voya Financial Partners, Member SIPC.

Arizona Central Credit Union and Arizona Central Financial Services are not a subsidiary of nor controlled by Voya Financial Partners.

Investments are not a deposit, not NCUSIF insured, not insured by any federal government agency, not guaranteed by the financial institution, may go down in value.



ABOUT ARIZONA CENTRAL

ABOUT US

ARIZONA CENTRAL

Arizona Central Credit Union is a not-for-profit, full-service, financial institution that is locally owned and operated by its members. With more than 56,000 members and over \$470 million in assets, we have proudly served Arizona since 1939.

We operate ten, full-service branches throughout the Greater Phoenix area, Tucson, Flagstaff and Show Low, and offer access to more than 5,600 branches nationwide through the CO-OP Shared Branching Network. Our members also have access to nearly 30,000 surcharge-free ATMs nationwide through the CO-OP Network.

At Arizona Central Credit Union, employee satisfaction and retention are the foundation of our commitment to exceed our members' expectations. We realize that we are stronger together and want to thank you, our members, staff and volunteers, for your loyal and ongoing support.

Member satisfaction, customized solutions and convenience continue to be the foundation for launching new products and delivery channels ensuring we meet the needs of our **diverse membership.**

6th Annual Golf Tournament benefiting the Cancer Support Community of Arizona. November 2017.

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CREDIT COMMITTEE REPORT

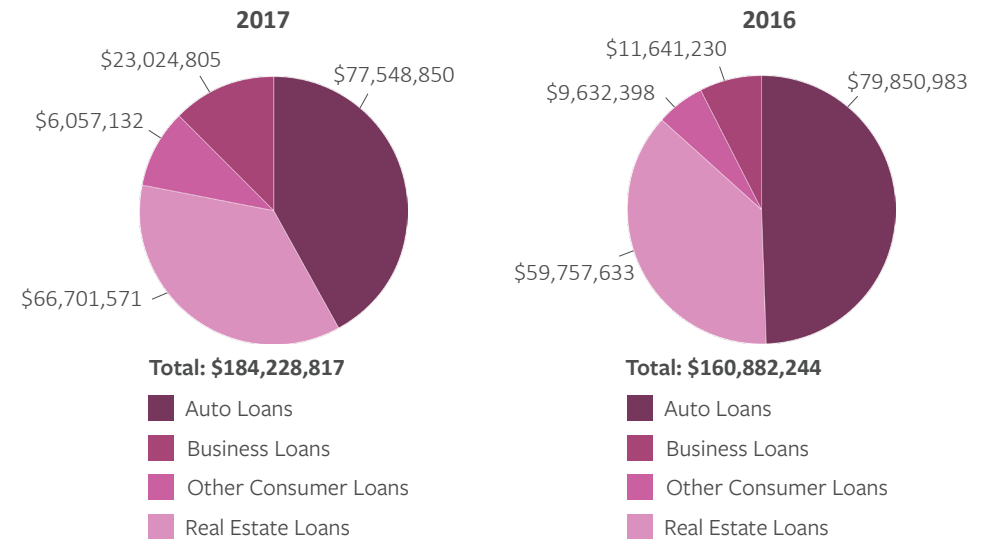
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The portfolio experienced a 6% growth over the previous year, closing with loan balances totaling \$341,085,311. Over 5,500 loans were originated during 2017, extending \$184.2 million to our member borrowers. Residential real estate accounted for 36% of the new loans, commercial loans represented 12% and regular consumer loans (including autos, credit cards, and personal loans) represented the remaining 51%.

COMPARISON CHARTS

TOTAL NEW LOAN ORIGINATIONS



Although auto loans are Arizona Central's largest pool of loans, we made efforts in 2017 to diversify our concentration by growing in other areas. This was attained with residential real estate growing by 11% and commercial real estate by 34%. During this same timeframe, consumer loans showed a decrease of \$548,225 in balances (-0.024%).

Our Credit Committee remains vigilant of economic trends that may affect our portfolio, and quickly reacts to ensure that we continue to have sound lending administration. We look forward to meeting our members' borrowing needs in 2018.

Respectfully submitted,
Yvette Clay, Credit Committee Chairman

FINANCIAL CONDITION STATEMENT

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ASSETS	2017	2016
Loans: Net Allowance for Loan Losses	\$337,332,311	\$317,437,824
Total Loans Held for Sale (HFS), Cash & Accounts Receivable	\$7,263,292	\$8,625,404
Corporate Capital & Other Investments	\$600,000	\$600,000
Corporate Account Deposits & Certificates	\$27,922,990	\$62,151,011
Marketable Investments	\$51,387,488	\$20,367,139
Fixed Assets	\$29,381,547	\$29,135,128
Accrued Interest, Prepaid & Other Assets	\$19,720,019	\$18,152,330
NCUSIF Deposit	\$4,213,439	\$3,945,562
Total Assets	\$477,821,086	\$460,414,398
LIABILITIES		
Total Payables	\$6,987,630	\$ 5,174,813
Total Member Deposits	\$432,504,623	\$418,116,590
Total Liabilities	\$439,492,253	\$ 423,291,403
Members' Capital	\$38,328,833	\$37,122,995
Total Liabilities & Members' Equity	\$477,821,086	\$460,414,398

INCOME STATEMENT

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TOTAL INTEREST INCOME	2017	2016
Interest on Loans	\$17,700,056	\$17,632,460
Interest on Investments	\$2,040,896	\$1,056,937
Total Interest Income	\$19,740,952	\$18,689,397
TOTAL DIVIDENDS & INTEREST EXPENSE		
Dividends & Interest Expense	\$1,134,850	\$754,434
Net Interest Income	\$18,606,102	\$17,934,963
Provisions for Loan Losses	\$2,794,665	\$3,386,114
Net Interest Income After Provisions	\$15,811,437	\$14,548,849
NON-INTEREST INCOME		
Fees & Charges	\$5,167,167	\$5,032,195
Other Non-Interest Income	\$6,821,680	\$6,037,643
Gain/(Loss) on Inv. & F/A	(\$293,535)	(\$95,067)
Total Non-Interest Income	\$11,695,312	\$10,974,771
NON-INTEREST EXPENSE		
Compensation & Benefits	\$11,105,164	\$10,406,107
Occupancy	\$5,080,986	\$4,940,533
Operations	\$6,015,452	\$6,001,259
Marketing	\$1,352,869	\$1,603,303
Professional Fees	\$275,540	\$280,349
NCUA Share Insurance	\$0	\$0
Other Non-Interest Expense	\$2,333,840	\$1,686,396
Total Non-Interest Expense	\$26,163,851	\$24,917,947
Net Income	\$1,342,898	\$605,673