

Statement of Earnings Year Ended December 31, 2016

Income	
Loan Interest Income	5,362,248
Investment Income	1,004,867
Non-Interest Income	3,243,054
Gross Income	9,610,169
Less Operating Expenses	-8,109,052
Provision for Loan Loss	-362,981
Net Income Before Dividends	1,138,136
Less Dividends and Interest	-604,074
Net Operating Income	534,062
Plus Net Non-Operating Income	11,712
Net Income	545,774

Statement of Financial Condition Year Ended December 31, 2016

Assets	
Cash	4,988,232
Investments	61,813,143
Loans (net of allowance)	109,931,949
NCUSIF, CorpCU, FHLBsf, Other Deposits	3,563,421
Other Assets	1,370,191
Fixed Assets	4,986,483
Total Assets	186,653,419
Liabilities	
Shares & Clubs	54,905,788
Share Drafts	30,440,769
Money Market Accounts	26,685,826
IRA Shares	3,439,853
IRA Certificates	3,987,462
Member Certificates of Deposit	20,730,358
Institutional Certificates of Deposit	5,226,000
FHLBsf Advances	22,000,000
Other Liabilities	1,813,802
Total Liabilities	169,229,858
Equity	
Regular Reserves	2,265,234
Unrealized Gain/Loss on AFS Investments	-420,465
Undivided Earnings	15,578,792
Total Equity	17,423,561



Headquarters

3440 W. Deer Valley Road
Phoenix, AZ 85027
623.580.6000 • 800.224.3330
CanyonStateCU.org



Your savings federally insured to at least \$250,000 and backed by full faith and credit of the United States Government. National Credit Union Administration, a U.S. Government Agency.

We do business in accordance with the Equal Credit Opportunity Act.



2016 Annual Report

66th Annual Meeting | April 25, 2017



Chairman of the Board's Report

At Canyon State we value each and every one of our members with our *Committed to You™* motto. We understand that the financial aspects of your life are many and as a member you are one of the Canyon State family.

In a world that is moving faster than ever before Canyon State Credit Union is committed to delivering solutions that are in step with the way people live and work today – financial services at the speed of life. Providing superior member service, improving efficiency, adhering to changing regulations, fighting fraud and mitigating risk are always top of mind. After more than eighteen months of research, we are excited to announce that we will be upgrading our core processing and online banking program in February 2018.

We are diligently working on providing our members customized solutions to achieve all of your goals. We will offer a unique combination of innovation, integration and a superior experience for all. This significant update will help us operate more efficiently allowing us to spend more time and resources on serving you –our member owners. We selected a new online banking program to enhance the modern and engaging user experience, which aligns with our vision to strengthen our digital capabilities to meet our members' needs. We are committed to fostering a digital relationship that is just as relevant and timely as conversations we're currently having with members in our branches. Please look for additional information over the coming months.

We thank you so much for your continued loyalty and business that you do with us. You can be assured that we will not take this for granted, but will remain diligent in our efforts to fulfill our mission of being *Committed to You™*.

Thank you to our volunteer board of directors and supervisory committee members for the dedication, direction and support; and to our employees for their hard work and dedication ensuring our members' financial needs are met on a daily basis.

Sincerely,

Myron Musfeldt
Chairman of the Board

Visit any of our branch locations!

Capitol Branch

1558 West Jackson Street
Phoenix, AZ 85007

Deer Valley Branch

Corporate Office
3440 West Deer Valley Road
Phoenix, AZ 85027

Osborn Branch

2440 West Osborn Road
Phoenix, AZ 85015

Goodyear Branch

1270 North Dysart Road
Goodyear, AZ 85395

Payson

Payson Branch
254 E. Highway 260
Payson, AZ 85541

Sheila Helped Her Member Update A Trust

I visited the Deer Valley Road Branch to update the information on my account, which is in a trust name. I expected my visit to be a difficult, complicated process. I was referred to Personal Financial Consultant Sheila Perkins. Ms. Perkins was professional, courteous and extremely knowledgeable about all aspects of updating my trust, of which there were many. Albeit she epitomized customer service for your organization, she also had the ability to put me at ease, as well as interject humor into our conversation. Ms. Perkins meticulously checked my new information and also ordered new checks for me.

I would like to express my appreciation for Ms. Perkins helpfulness and completion of all my needs, including some I had overlooked myself. You are lucky to have such a person representing Canyon State State Credit Union.

Committed to You.™

President's Report

We are proud to remain a truly local financial institution who is *Committed To You™*, our loyal and supportive membership. 2016 was another outstanding year for Canyon State Credit Union. We experienced positive growth in many areas while improving our service levels and adding or enhancing products and services as a trusted resource for you – our member owners.

We take data security very seriously, and are committed to the safety of your personal information. Data security is about being proactive and mitigating risk. Canyon State Credit Union members now carry credit and debit cards equipped with the new industry standard in fraud-fighting capabilities. EMV technology complements the security features you already have and provides more-sophisticated verification of your card, so you can feel even more secure. We also introduced improved security features with a new automated Telephone Banking system early in 2016. We introduced our new Home Equity Line of Credit program and understand that owning your home is an important part of your life. With home values on the rise in the Phoenix market, this new program provides competitive rates that allow you to put the equity in your home to work on making your dreams a reality.

I am proud to report that during 2016 we paid our members over \$133,300 with our FREE Cashback Checking program and increased services to our business members with more on the horizon. Small business is an important part of our communities and we are committed to supporting our small business member owners to help them meet their growing needs.

We are experiencing exceptional growth in all areas of e-services. Our mobile app is very popular among our membership and we continuously seek new and innovative technology that improves your access and experience for all of our e-service/digital applications. Providing exceptional service at the point at which you choose to use us – mobile, online, phone, ATM or in person at one of our branches remains our standard. During 2017 we will implement updated ATM's with current technology and in 2018 we will be implementing a new core and online banking system designed to provide you with current and relevant solutions to achieve your financial goals.

As your credit union we are committed to the communities we serve and you call home. During the holiday season, we are extremely proud to report that with your help and through our partnership with KTAR we donated over 150,000 diapers to Child Crisis Arizona and for our Payson community provided much needed supplies to the Time Out Shelter. We continue our partnership with Grand Canyon University and in addition to being a supporter of their men's basketball team, we also sponsored their first TEDx event on campus. Our annual summer water drive for the Salvation Army resulted in a donation of over 25,700 bottles of water. We attended community events at the City of Goodyear Ballpark, supported several Junior Achievement activities and served as judges in several Future Business Leaders of America (FBLA) competitions.

We continue to build awareness of Canyon State Credit Union through our local endorsement of Dave Ramsey, America's trusted voice on money on KTAR 92.3, plus the new endorsement of Mac Watson, co-host of the Mac & Gaydos show.

We are committed to being a trusted resource as your primary financial institution, providing you with the products and services you need to achieve your financial goals. Look for new and exciting products and services which are on their way to you. Thank you for your membership and trust in our credit union! Please remember to tell your family and friends about Canyon State Credit Union – in all likelihood they are also eligible for membership. They too can enjoy the many benefits of a financial institution that is *Committed to You™*!

Sincerely,

Jane Dobbs
President CEO

Supervisory Committee Report

The Supervisory Committee of Canyon State Credit Union is a voluntary group comprised of three Credit Union members who are appointed by the Board of Directors to supervise Canyon State's financial activities. The Supervisory Committee, in partnership with the Credit Union's Internal Audit Department, Credit Union Management, our external auditors, CliftonLarsonAllen, the National Credit Union Administration and the Arizona Department of Financial Institutions, work diligently to ensure your assets are secure through the implementation of sound financial policies, procedures and controls.

In addition, the Supervisory Committee works independently on behalf of Canyon State members to ensure that questions or issues pertaining to individual member accounts are resolved. We are pleased to report that based on this work, Canyon State Credit Union is operating with a system of strong internal controls and is a sound financial institution.

On behalf of the Supervisory Committee, we are proud to be part of the Canyon State Credit Union organization and look forward to continuing the long tradition of providing financial security to our members.

Respectfully submitted,

David Matson
Chairman, Supervisory Committee

Credit Manager's Report

During 2016 Canyon State Credit Union experienced a positive loan growth in all areas with the exception of Mortgage loans. We experienced 17% growth in consumer loans, 7.5% increase in credit cards and Home Equity loan growth of 9%. The reduction of Mortgage loans of 20% was largely in part due to competition and limited resources. The stability of our loan portfolio year over year was largely in part to the credit union redesigning our Home Equity Line of Credit product and the demand for new and used autos.

Overall we continue to see low delinquency and charge offs. Our delinquency at year end 2016 was .27% compared to our average peer group of .85%. Year-end charge off s were .25% compared to our average peer group of .46%.

Jane E. Dobbs
Credit Manager

Board of Directors

Myron Musfeld.....Chairman
Jerry Hartrim.....1st Vice Chair
Brett Moulton.....2nd Vice Chair
Rae Kinsman.....Secretary
Carol Ward.....Treasurer
Paul Waterman.....Director
Dave Matson.....Director

2016-2017 Supervisory Committee

David Matson.....Chairman
Richard Rodriguez.....Member
Lupe Harriger.....Member

Senior Management

Jane Dobbs
President/CEO

Cristian Hernandez
CFO

Lenore Froehlich
Vice President of Marketing

Paul Bauer
Vice President of Lending

Amy Singpradith
Vice President of Human Resources

Cory Squires
Vice President of Information Technology

Justin Wolfe
Vice President of Retail Banking

