

Statement of Earnings Year Ended December 31, 2018

Income	
Loan Interest Income	4,955,872
Investment Income	1,939,606
Non-Interest Income	3,367,170
Gross Income	10,262,648
Less Operating Expenses	-8,586,648
Provision for Loan Loss	-940,663
Net Income Before Dividends	735,337
Less Dividends and Interest	-1,026,136
Net Operating Income	-290,799.43
Plus Net Non-Operating Income	705,588
Net Income	414,789.40

Statement of Financial Condition Year Ended December 31, 2018

Assets	
Cash	5,876,574
Investments	68,449,686
Loans (net of allowance)	108,506,638
NCUSIF, CorpCU, FHLBsf, Other Deposits	3,414,852
Other Assets	1,922,154
Fixed Assets	5,089,385
Total Assets	193,259,289
Liabilities	
Shares & Clubs	60,097,071
Share Drafts	37,268,858
Money Market Accounts	30,987,610
IRA Shares	2,913,140
IRA Certificates	3,234,327
Member Certificates of Deposit	16,813,799
Institutional Certificates of Deposit	2,788,000
FHLBsf Advances	21,734,228
Other Liabilities	0
Total Liabilities	175,837,033
Equity	
Regular Reserves	2,265,234
Unrealized Gain/Loss on AFS Investments	-841,108
Undivided Earnings	15,583,342
Net Income	414,788
Total Equity	17,422,255



Headquarters

3440 West 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.



Visit any of our branch locations!

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 East Highway 260
Payson, AZ 85541

Social Media: @CanyonStateCU



#BankingWhereIAm

2018 Annual Report

68th Annual Meeting | April 23, 2019



Chairman/President's Report

Thank you for your continued support, trust and loyalty.

As a member owned and operated not for profit financial cooperative, we remain focused on delivering exceptional experiences and benefits for current and future members. Our core mission "Committed to You" ensures we take our role as stewards of your and your family's financial wellbeing seriously.

We measure our success in making a difference in the lives of our members through a number of metrics including member satisfaction, member growth, number of members helped through lending activities, community partnership engagements and activities, and staff satisfaction.

Canyon State's Board, executive leadership team and employees optimistically embraced a challenging 2018 with the purpose of redoubling our efforts to fulfil our mission for Canyon State Credit Union members. Strengthening this purpose is also what drives our long-term strategy.

Together, we are pleased to share the results of this teamwork. Key Achievements in 2018 include:

1. Implementing a state-of-the-art core and online banking system providing members with updated and easy to use technology and enhanced data security. We will leverage these new technologies to be more responsive to member's desires and needs.
2. Originating over \$83,103,021.62 in loans while assisting 18,454 members with auto loans, mortgage loans, and credit cards.
3. Welcoming over 687 new members reaching more than 18,454 members as of 12.31.18.
4. Achieving strong member satisfaction scores across all delivery channels.
5. Continuing our collaboration with Metro Tech High School to support our next generation of leaders with our "In School High School Branch" program.
6. Continuing our community involvement throughout the Valley and Payson areas including our partnership with KTAR and the annual Caring for Kids campaign which raised over 250,000 diapers for children in foster care throughout the state of Arizona.
7. Preparing for the future by aligning our Board of Directors with the demands of our market. We have added Directors with expertise in Technology, Data Security, Organizational Development, Local and State Government and Entrepreneurship.

Exciting news - The best is yet to come!

In late 2018 we began to discuss a potential merger with locally owned Deer Valley Credit Union. After a lengthy due diligence process and Boards of Directors approvals, on April 8th, 2019 we formally announced our Intent to merge with Deer Valley Credit Union.

This merger will combine our two healthy cooperative financial institutions that share the same focus on community-based banking and similar core values. This strategic merger allows for the combining of resources that position us to better serve our member - owners, support our staff, and align our organization for continued success and greater, more meaningful impact on the communities we serve. All employees will have a role in the combined credit union.

Chairman/President's Report Continued

Immediate member benefits include:

1. Expanded convenience through access to four (4) additional branch locations in Anthem, Arrowhead, Surprise, and Bell Road & I17.
2. National access through the CO-OP Shared Branch network & CO-OP surcharge-free ATM Shared network.
3. Access to additional staff to assist you when visiting our branches, phoning into our call centers, and contacting us through the digital channels.
4. Regulatory and operational cost savings will be passed on to Members through more competitive loan and savings rates, and new Member products and services including:
 - a. In-house mortgage loan services,
 - b. Small business products (both lending and deposit options,)
 - c. Improved mobile and online banking channels,
 - d. Enhanced user-friendly, interactive informational website.

Jane Dobbs, our current CEO, will be stepping down after the merger is complete. This was a decision Ms. Dobbs offered, ultimately enabling the two (2) institutions to merge. In fact, it was her leadership over the past 5 ½ years that positioned Canyon State Credit Union to undertake this significant strategic move. Reviewing her tenure, we are grateful for her innumerable achievements. Here is a short list of some of the milestones Ms. Dobbs and her team have achieved:

- Positive membership growth of 4500+ since 2014,
- Credit Union asset growth from \$137m to \$193m,
- Increased Community involvement including Caring for Kids Annual Fundraiser for Foster Children,
- Relocated Payson Branch to improved site and easier access,
- Launched Free Cash Back Checking and Simple Business Checking,
- Improved Member Satisfaction Scores from 37% to 70%,
- Created an in house Mortgage Lending division,
- Implemented Remote Deposit Capture,
- Implemented online new account opening,
- Added Grand Canyon University as a Select Employee Group to the credit union,
- Added individual employees, volunteers and donors of AZ Helping Hands and Child Crisis Arizona to our field of membership,
- Implemented updated core and online banking systems

Robb Scott, the current CEO for Deer Valley Credit Union for the past eighteen years, will become the CEO for the merged credit union. Under his leadership, the credit union has experienced excellent growth, significant member engagement, and continued optimization of technology. Robb actively partners with several non-profits and schools in the community and serves on committees and boards within the credit union industry.

In 2019 we are continuing to focus on your financial wellbeing by optimizing new technologies that deliver improved solutions with exceptional service. We also expect to see the merger approved and closed by the end of the 3rd quarter. Updated information regarding the merger is available on our website at www.canyonstatecu.org. Thank you again for continuing to trust, support and engage with us as we continue our journey to deliver more value to you – our member owners.

Sincerely,

Paul Waterman Jane Dobbs
Chairman of the Board *President/CEO*

Committed to You.™

Recently a member visited one of our branches regarding an auto purchase he was making with a local dealership. After the branch manager reviewed the purchase order, he noticed that the cost of the vehicle was \$15,000 but approximately \$8,000 had been added for auxiliary services and he had only received \$100 for the trade-in of his current vehicle. Our branch manager took it upon himself to visit the dealership regarding the purchase order. Not only did he get the purchase price decreased by \$500 but also had the expensive auxiliary services removed. The dealership staff stated this was the first time a bank representative had come to their location to discuss the transaction. Our branch manager replied, "That is probably true but we are NOT a bank, we are a credit union where our philosophy is people helping people."

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 2018 Canyon State Credit Union experienced an overall growth of 6.79% in our loan portfolio. The portfolio grew in Auto, Home Equity and Credit Cards areas with our Home Equity products leading the way at 18% increase. Our enhanced lending strategies supported our efforts to focus on assisting members with their home and auto lending needs during 2018.

We believe that going forward our competitive loan products and pricing will not only strengthen the quality of our loan portfolio but also allow us to support new member growth and deepen existing member relationships with competitive lending products.

Our delinquency average for 2018 was .58% as compared to .67% for 2017. We will continue to measure and adjust lending/collection strategies to ensure they are at acceptable levels minimally impacting member's access our financial products.

Canyon State Credit Union continues to place a high priority on providing loan solutions to our members' financial needs. We will continue to work hard to offer our members competitive loan products and pricing and assist them to achieve their financial goals.

Jane E. Dobbs
Credit Manager

Board of Directors

Paul Waterman.....Chairman
Jerry Hartrim.....Vice Chair
Rae Kinsman.....Secretary
Erica Gibbons.....Treasurer
David Matson.....Director
Andrew Roberts.....Director
Lorenzo Sierra.....Director

2018-2019 Supervisory Committee

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

Senior Management

Jane Dobbs
President/CEO

David Skilton
CFO

Lenore Froehlich
Vice President of Marketing

Russ Lumley
Vice President of Lending

Amy Singpradith
Vice President of Human Resources

Justin Wolfe
Vice President of Retail Banking

Teresa Trostel
Vice President of Enterprise Risk
Management

