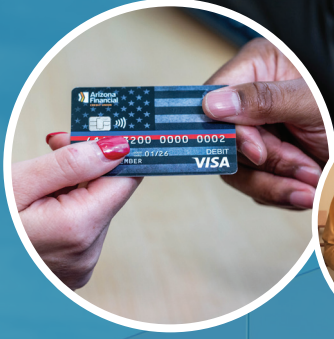


2023 ANNUAL REPORT



ArizonaFinancial.org | 602-683-1000



PRESIDENT'S REPORT

On January 1, I officially began my tenure as President & CEO of Arizona Financial. After more than 25 years of service in diverse roles across the organization, I am grateful and honored for the opportunity to lead our team – especially as we headed into 2023 faced with exciting opportunities and challenges.

Amy Hysell
President & CEO

Account conversion & focus on deposits

During the first quarter of the year, our teams worked to ensure a successful account conversion process related to the 2022 acquisition of Horizon Community Bank. I am happy to report the conversion went very smoothly for the majority of our new members, and we worked quickly to resolve any issues that a small percentage may have experienced.

Like many other financial institutions, retaining deposits became an area of importance. With the rise in interest rates, consumers had many options for maximizing returns on their deposit accounts. In quick response we introduced new High-Yield Share Certificates, soon followed by a High-Yield Savings Account. Despite a 4.45% decline in deposits, these new accounts offered members top-of-market rates while helping to stabilize the credit union's total deposits.

Free checking & membership growth

With our newly acquired state-wide charter and the acquisition of HCB in 2022, we also modified our consumer checking account to further retain and attract new members. In September we eliminated the \$3 monthly service fee and introduced a \$200 new member bonus. We ended the year with strong growth in new member accounts and realized a net new member growth rate of 4.50% with over 165,000 members.

#1 SBA lender in Arizona

For the second year in a row, Arizona Financial was recognized as the number one Small Business Administration

lender in Arizona, based on *Ranking Arizona's* annual marketplace survey. In addition to this honor, Arizona Financial is the only Arizona-based credit union with SBA Preferred Lender status, which means we can offer our members faster loan decisions because of our team's level of expertise.

Debit card community giveback

As a locally-owned not-for-profit institution, supporting our communities has always been a top priority for Arizona Financial. In 2024 we awarded over \$100,000 in grants to 20 hyperlocal nonprofits as part of our *Local Causes* debit card program. Every time members use their debit card, Arizona Financial makes a donation to a community fund and then awards those funds to smaller nonprofits doing good work in the community.

In addition to our *Local Causes* program, we awarded a combined total of \$87,550 to Arizona Humane Society and



United Sound, *Local Causes* grant recipient.

the 100 Club of Arizona, which supports local first responders. Simply by using their debit cards, members are making an impact in support of these worthy organizations.

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Financial update

Arizona Financial ended 2023 with more than \$3.3 billion in assets, including \$1.86 billion in loans – a 7.73% increase despite the challenges of a rising interest rate environment. Loan charge-offs remained low at 0.08%.

Our liquidity position also improved, impacted by monthly increases in net deposits toward the end of the year, cashflows received from our investment portfolio, and from the sale of investment securities and government guaranteed loan participations. We remain well capitalized with a year-end net worth ratio of 11.82%

Looking ahead to 2024

We will continue our focus on providing members with our best rates and terms on deposits and loans every day, so members know they will always be getting great value when they bank with Arizona Financial. We are also planning to expand our branch network to new service areas throughout metro Phoenix. Our initial

targeted areas for expansion include the southeast Valley, but plans may shift due to location availability.

In addition, we will be making investments and improvements to our ATM network, introducing new consumer checking accounts, improving wire automation services, and introducing our new Business Solutions Center for small business owners in Arizona.

The management team and I want to thank our members for the trust they place in Arizona Financial. We know you have a choice when it comes to banking services, and we remain committed to working hard to earn your business. Our member-owners are the reason Arizona Financial exists, and we keep that central to everything we do.

Amy L. Hysell
President & CEO

CHAIRMAN'S REPORT



Bill Greene
Board Chairman

The new year began with economic stressors that impacted the economy, the credit union, and our members. Persistent inflation and a rising interest rate environment presented challenges that we successfully navigated with our new President & CEO Amy Hysell at the helm.

Where you bank matters

Early 2023 also saw the collapse of several large regional banks. Amy reassured members that Arizona Financial is financially strong and we are not overly exposed to any one industry. Members were also reminded of our federal coverage that insures their funds up to at least \$250,000 per depositor.

Amy Hysell, most influential women in Arizona business

In addition to taking on her new role as President & CEO of Arizona Financial, Amy was also honored as a 2023 Most Influential Women in Arizona Business. The award recognizes women in real estate, business, nonprofits and other leadership or influential roles in Arizona.

Shaping our future

With our state-wide charter and expanded footprint in Western Arizona, the leadership team spent several months performing a SWOT Analysis – reviewing market data and surveying our members – to ensure we have the right mix of accounts and services and understand growth opportunities in the state. As a result, we introduced new high-yield savings and CD accounts and free checking for existing and new members.



Staff at the Shaping our Future Conference

Member Bonus Payout changes

In the last decade, Arizona Financial has paid out nearly \$55 million to our members – including \$3 million in December 2023 – as part of our Member Bonus Payout program. Another way we returned surplus capital to members in 2023 was in the form of higher divided rates on deposit accounts and the elimination of our monthly service fee on checking accounts.

For 2024, we will continue this approach of providing everyday value through our competitive rates on loans and deposits, lower fees and exclusive benefits – in place of a year-end bonus payout.

Best places to work since 2015

Arizona Financial was recognized (again!) by the Phoenix Business Journal as one of the top 10 Best Places to Work in the large company category.

Remembering Kelvin Smith

Sadly, in August of 2023, our fellow Board member Kelvin Smith, passed away. Kelvin, who served on the Board since 1997, proudly represented the interests of our members for 27 years and was a strong advocate for small business owners. To honor his legacy, in 2024 the credit union will establish the Kelvin Smith Small Business Grant of \$10,000 in partnership with Local First Arizona and the We Rise program.

On behalf of the Board of Directors, thank you to our members for the opportunity to serve you and for your participation in our financial cooperative.

Bill Greene
Board Chairman

SUPERVISORY COMMITTEE REPORT



Jeff Barton
Supervisory Committee
Chairman

The five-member Supervisory Committee is appointed by the Board of Directors to oversee the policies, procedures, and practices in place to safeguard members' assets and meet all required financial reporting obligations.

The functions of the Supervisory Committee 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 credit unions

The Supervisory Committee and Compliance and Review Services Department work closely together to confirm internal controls provide sufficient safeguards. In addition, they participate in regularly scheduled Supervisory Committee meetings, Board of Directors meetings, planning sessions and special committees to assist with the decision-

making in support of credit union initiatives.

As part of this committee, John Bushko, Charles Carter, Sarah Freeman, Manny Verdugo, and I remain committed to you, our members, and the mission, vision and values that form the foundation of Arizona Financial Credit Union.

Jeff Barton
Supervisory Committee Chairman



CUSO REPORT

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 Financial owns two CUSOs – Western States Financial Group, LLC (WSFG) and Arizona Federal Insurance Solutions, LLC (AFIS). Both are wholly-owned subsidiaries of Arizona Financial. Through these subsidiaries we provide valuable services that complement our core services. Currently, we operate Members' Auto Center (MAC) through WSFG and The Arizona Group (TAG) through AFIS.

Western States Financial Group

MAC is a partnership of WSFG and Centennial Leasing and Sales, Inc. This service was designed to provide members with a more convenient car buying experience. MAC allows members to shop and purchase a vehicle, complete all title and registration paperwork, and even have

their new car delivered to their home or office – all without visiting a dealership.

MAC continues to be a great option for members. In 2023, members purchased 576 vehicles through MAC, generating more than \$17.5 million in additional loans for the credit union.

Arizona Federal Insurance Solutions

Through the insurance professionals at TAG, members have access to a full suite of insurance services, including automobile, homeowners, business, life, Medicare products and health insurance policies. With access to many insurance providers, TAG can match members' individual needs to a policy that provides the best solution for coverage and value. In 2023, a total of 372 new policies were purchased through TAG. At the end of 2023, almost 2,020 members held a total of 3,640 policies.

TREASURER'S REPORT



Zeek Ojeh
Treasurer

Arizona Financial performed well in fiscal year 2023. Following are some of the noteworthy highlights:

- > Total assets: \$3.3 billion (a 4.62% increase from 2022)
- > Total Members: 165,361 (up 4.50% from 2022)
- > Net operating income: \$36.3 million (up from \$24.8 million in 2022), after a \$3 million Member Bonus Payout.
- > Total net worth: \$391.7 million (up 12.91% from 2022)
- > Total loans to members: \$1.86 billion (up 7.73% from 2022)
- > Loan delinquency: 0.21% (up 0.11% from 2022)
- > Total member deposits: \$2.8 billion (4.45% decrease from 2022)

Arizona Financial remains well-capitalized with a 11.82% net worth ratio, significantly above the 7% requirement to be considered well-capitalized by regulators.

These results continue to showcase our commitment to financial strength – and the goals of the Board of Directors to maintain a stable and sound financial institution that will protect members' assets for years to come.

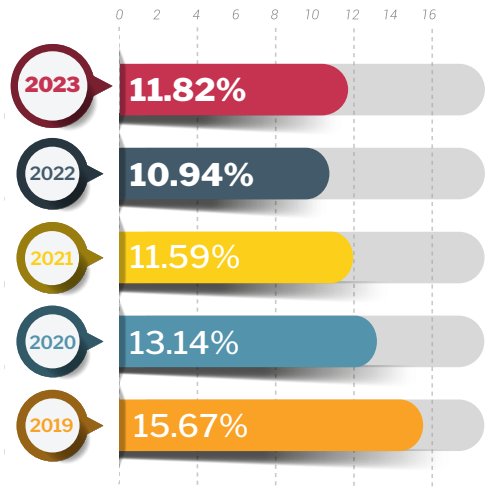
As Treasurer, I would like to thank the management and staff for their hard work and their dedication to excellence. I am confident we will continue to maintain Arizona Financial's sound financial status and look ahead to growth in 2023 and beyond.

Zeek Ojeh, CPA
Treasurer

Total Assets



Capital Ratio/Net Worth



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