

Chairman's Report 2010

On behalf of the Board of Directors, the committees and staff of AAC Credit Union, I am pleased to present this report to you.

2010 was one of the best years in our history. As the economy has improved, our members have become more open to buying big ticket items. This allowed us to increase our loan balances by 28%. Mortgages were a big portion of this increase. As the interest rates fell last year, many members took advantage of these rates by refinancing or purchasing a home.

This report reflects the strong performance for the year. The following are the financial results achieved in 2010.

- An increase of Assets of \$11,473,722 million (19.65%)
- An increase of Capital of \$975,333 (11%)
- An increase of loans to our members of \$9,151,818 (27.52%)
- Deposits increased \$9,869,512 (21%)
- Grew membership to over 9000 members

Maintaining a strong level of capital and reserves is the main focus of the credit union, as these reflect our ability to withstand the challenges we face in difficult times. Currently the capital ratio is at 14.10%. This is well above the 7% we are required to keep by regulation. This should provide a nice cushion to get through these turbulent times. We could not accomplish these numbers without the support of our members. We greatly appreciate your faith and trust in us to deliver financial products and services at a fair price.

2010 Accomplishments

In 2010, we introduced a number of new products and services to our membership.

Mobile banking was launched. Now members who have a smart phone with data plan can access their accounts anytime. It has the same functionality as our "It's Me 247" home banking product.

We added Student Loans to our product offerings. Now members can get student loans and defer their payments and interest until 6 months after they graduate. They can also choose to make payments as they go through college to keep their loan balance lower.

"Save to Win" CD's have been popular. With this CD, for every \$25 you deposit, you are entered into a drawing to win monthly prizes up to \$1,000 and a grand prize of \$100,000. AAC Credit Union has awarded over \$2,500 to members since the programs beginning in June 2010.

We also introduced Health Savings Accounts. Because many employers are choosing higher deductible health insurance plans, members are seeking the best value in HSAs. We believe we have crafted a product that offers above average HSA interest rates and the savings of no monthly maintenance fees.

In 2011 we will also roll out a new debit card platform. This will give members the ability to change their PIN# , it will also give access to more ATM machines.

Reaching out to the community

We are firm believers in the credit union philosophy of "People Helping People". In 2010, our dedicated staff and members have helped us support a variety of organizations:

United Way	Holland Rescue Mission
Gilda's Club	Hope Network
Ferrysburg Fire Department	Zeeland Little League
Children's Miracle Network	Zeeland Library Reading Program
West Ottawa High School	UM Community House

Juvenile Diabetes Research Fnd.
AT Benefit Golf Outing
Holland Junior Welfare League
Zeeland Public Schools
Zeeland Christian Schools

Looking into the Future

The outlook for our economy seems to be improving. Unemployment figures are starting to show some signs of life, economic growth seems to be on track, so hopefully the asset devaluation we have experienced over the last couple of years is ending. We should see increased growth in our lending opportunities as more people find work and fewer are laid off. We are looking for similar performance as last year and we look forward to meeting your needs in 2011 and beyond.

On behalf of the Board of Directors, Committees and staff, we have enjoyed serving you in 2010. We look forward to continued relationships in 2011. As always, we strive to take care of all of your financial needs and we hope you have a great 2011.

Sincerely,

Thane Barden
Chairman of the Board

Supervisory Committee Report

The Financial Standards Group completed the comprehensive annual audit as of June 30, 2010. The audit included examinations of the statement of financial condition, statements of income and changes in equity.

The Office of Financial and Insurance Services, Credit Union Division, Lansing Michigan also conducted an examination of our records as of September 2010.

In addition to these examinations, the Supervisory Committee performed individual audits of various credit union policies, procedures and operations. We've also conducted cash audits to make sure all cash balanced.

The number of members as of December 31, 2010 was 9012. It is the opinion of this committee that the published report fairly reports the financial condition of AAC Credit Union.

Respectfully submitted,

Jim Ondersma
Dennis Ziomkowski
George Sullivan

Credit Committee Report

AAC Credit Union approved 1757 loans for \$22,358,564. We approved 90 mortgages for \$10,829,760. 18 of those mortgages were sold to Fannie Mae for a total of \$2,595,355.

The ratio of delinquent loans outstanding was a little lower than last year at .94% and net charge offs decreased to .52%.

AAC Credit Union offers many different loan products. We encourage all members to contact the credit union first when in need of financing for an automobile, mortgage, home equity loan or any projects you have. Give us a call to discuss which loan fits your needs. The loan officers can grant loans anytime during office hours.

Respectfully submitted,

Russ Hower, Chairman
Chris Cross
Kathleen De Void

Financial Statement

Assets	2010	2009	Difference
Loans to Members	\$42,409,903	\$33,258,085	\$9,151,818
Allowance for Loan Losses	(\$554,736)	(\$405,797)	(\$148,939)
Cash and Funds Due	\$707,416	\$774,491	(\$67,075)
Investments	\$23,898,306	\$21,465,714	\$2,432,592
Property and Equipment	\$2,101,230	\$2,133,984	(\$32,754)
Other Assets	\$766,536	\$723,680	\$42,856
NCUA Share Insurance Fund	\$529,452	\$434,228	\$95,224
Total Assets	\$69,858,107	\$58,384,385	\$11,473,722
Liabilities			
Notes Payable	\$2,327,701	\$1,796,313	\$531,388
Accrued Div./Interest	\$72,634	\$84,621	(\$11,987)
Accounts Payable	\$600,031	\$399,248	\$200,783
Other Liabilities	\$148,609	\$239,916	(\$91,307)
Savings to Members	\$56,852,274	\$46,982,762	\$9,869,512
Required Reserves	\$1,653,356	\$1,653,356	-
Undivided Earnings	\$8,203,502	\$7,228,169	\$975,333
Total Liabilities and Equity	\$69,858,107	\$58,384,385	\$11,473,722
Income			
Interest on Loans	\$2,577,177	\$2,365,301	\$211,876
Investment Income	\$778,843	\$747,270	\$31,573
Less Dividend/Interest Expense	(\$757,203)	(\$890,419)	\$133,216
Less Provision for Loan Losses	(\$346,000)	(\$377,500)	\$31,500
Net Interest Income	\$2,252,817	\$1,844,652	\$408,165
Other Income	\$1,060,575	\$951,922	\$108,653
Net Operating Income	\$3,313,392	\$2,796,574	\$516,818
Expenses			
Employee Compensation	\$813,507	\$753,004	\$60,503
Employee Benefits	\$245,108	\$195,220	\$49,888
Travel and Conference	\$33,818	\$33,165	\$653
Office Occupancy	\$117,002	\$115,387	\$1,615
Office Operations	\$670,288	\$659,490	\$10,798
Educational and Promotional	\$59,324	\$46,147	\$13,177
Loan Servicing Expense	\$53,797	\$37,103	\$16,694
Professional and Outside Services	\$133,387	\$122,904	\$10,483
Operation Fees	\$15,120	\$14,400	\$720
Other Operating Expenses	\$8,308	\$91,909	(\$83,601)
Interest on Borrowed Funds	\$13,300	-	\$13,300
Gain or Loss on Investments	-	\$1,092	-
Gain or Loss on Disposal of Assets	-	\$11,623	-
Total Expenses	\$2,162,959	\$2,081,444	\$81,515
Gain or Loss from Operations	\$1,150,433	\$715,130	\$435,303
Special Charges			
NCUA Special Assessment	\$40,720	\$65,134	(\$24,414)
CenCorp MCSD Reduction	\$134,380	\$85,530	\$48,850
Net Income	\$975,333	\$564,466	\$410,867

2010 ANNUAL REPORT



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