

Chairman's Report 2011

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

Over the past several years AAC Credit Union has continued to grow despite national and international economic trends. This growth is due in great part to our valued members who continue to choose AAC for their financial needs. There is no greater compliment than our members referring family and friends to AAC. Referrals remain our largest source of new business. Thank you.

2011 witnessed a change in public attitude toward the banking industry. Bank fees and deceptive practices caused the government, and media, to examine the industry. Because of this, there was a shift from Wall Street banking toward Main Street banking. Many people began researching banking alternatives and discovered that there is a true difference between a bank and a credit union. Not only in ownership, but in the attitude of stewardship toward the money that is deposited. In 2011, AAC welcomed over 1,300 new members to the credit union difference.

Although the banking landscape is changing, AAC Credit Union has not lost sight of our roots. We still believe in the principles on which we were founded, such as providing our members with a fair deal, operating the credit union in a sensible manner to provide safety and soundness to our members' investments, and seeing more than a number when we look at our members.

We believe in the credit union motto, People Helping People. In 2011, we helped

- 98 members purchase or refinance a home
- 597 members purchase a new or used vehicle
- 511 members open a Save to Win Cd
- 130 members 17 and under open an account to begin saving

It is with great enthusiasm that we greet the New Year. 2012 marks the 75th anniversary of AAC Credit Union. We were founded when seven employees of the American Seating company came together to form a credit union. Since then, we have grown into five branches, over 9,000 members and over 75 million in assets. Although some things have changed since we were founded in 1937 like online banking, computerized accounting and debit cards, our passion for helping our members has not changed.

The financial condition of the credit union has never been stronger. Our capital position has grown to 14.98%, up from 14.30%. Our ROA has increased to 2.08%, up from 1.52% and our net charge off rate has decreased to .35% from .51.

Because our financial condition is so sound, we are able to roll out new products and services to you.

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

2011 ANNUAL REPORT



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