

ANNUAL REPORT

of

ALABAMA CREDIT UNION ADMINISTRATION

of the

STATE OF ALABAMA

FOR THE CALENDAR YEAR ENDED

DECEMBER 31, 2017





KAY IVEY
GOVERNOR

STATE OF ALABAMA
ALABAMA CREDIT UNION ADMINISTRATION

100 N. UNION STREET, SUITE 650, MONTGOMERY, ALABAMA 36104
TELEPHONE: (334) 353-5770 • FAX (334) 353-5795
www.acua.alabama.gov



SARAH H. MOORE
ADMINISTRATOR

April 5, 2018

The Honorable Kay E. Ivey
Governor of the State of Alabama
Alabama State Capitol
Montgomery, Alabama 36130

Dear Governor Ivey:

It is my honor to present the 2017 Annual Report of the Alabama Credit Union Administration (ACUA) to the people of the State of Alabama and you.

Overview

Alabama's state chartered credit unions provide vital access to financial services and products to over one million members in the State of Alabama. State chartered credit unions primarily provide low cost financing to their members for home ownership, new and used vehicles and small consumer loans including credit cards and depository services for little or no fees.

The number of state chartered credit unions declined by one to 61 at December 31, 2017 due to two mergers offset by one federally chartered credit union converting to a state chartered credit union. We expect consolidation will continue to impact Alabama's credit unions over the next few years as small credit unions are having difficulty keeping pace with product and service innovations, expense of technology changes and regulatory compliance. Larger credit unions are continuing to grow and invest in products, services and technology, thereby increasing the total assets under supervision by ACUA to \$15 billion at December 31, 2017.

Alabama has one of only eleven corporate credit unions nationwide. The mission of the corporate credit union is to provide products and services to other credit unions, primarily asset-liability and investment services. As of December 31, 2017, the corporate credit union had 486 credit union members. Because of the distinctive nature of its business, certain financial information herein is presented separately for the corporate credit union.

Staffing

The ACUA has twelve employees. As the State's credit unions grow larger and become more complex, additional examiners will be necessary even with fewer credit unions. ACUA continuously evaluates its needs and will strategically add staff or engage contractors as needed to accomplish the agency's mission.

Expenses

Expenses of the agency were funded through normal and customary fees assessed to the credit unions. Operating fees collected for fiscal year 2017 increased 4% over fiscal year 2016 due to asset growth of state chartered credit unions. The agency operated well within its appropriation for the fiscal year ended September 30, 2017.

Legislation

During the 2017 Regular Session of the Alabama Legislature, SB 27 passed and was signed into law effective July 1, 2017. The bill lengthened the required examination cycle of credit unions from an annual examination by ACUA to an examination conducted at least every 18 months. ACUA requested the change in law in response to the National Credit Union Administration's ("NCUA") new risk based examination schedule that lengthened the examination schedule for highly-rated credit unions with assets less than \$1 billion. ACUA and NCUA have historically conducted annual joint examinations of all state chartered federally insured credit unions with assets over \$250 million and of smaller credit unions on a rotational basis. By allowing ACUA to examine state chartered credit unions every 18 months rather than annually, ACUA will have greater flexibility to perform more frequent examinations of riskier credit unions while providing regulatory relief to lower risk credit unions.

Regulatory Action- End of Conservatorship

ACUA appointed a new board of directors, new supervisory committee and hired a chief executive officer during conservatorship to oversee and manage Alabama One Credit Union. The new management team, board and supervisory committee remediated the issues that led to conservatorship and restored the credit union to profitability. I am pleased to report that I released Alabama One Credit Union from conservatorship on February 15, 2017.

Regulatory Action- Conservatorship

ACUA conserved Riverdale Credit Union based in Selma, Alabama on June 22, 2017 and appointed NCUA as agent of the Conservator and liquidating agent.

NCUA merged Riverdale Credit Union into Jefferson Financial Federal Credit Union of Metairie, LA on December 4, 2017.

The Honorable Kay E. Ivey
Governor of the State of Alabama
April 5, 2018
Page 3

New State Chartered Credit Union

Railroad Federal Credit Union with assets of \$107 million and 5,319 members converted to a state chartered credit union on December 19, 2017. A state charter offers the credit union greater flexibility to manage its credit union to benefit its members.

Mission

We are focused on our mission to provide effective supervision and regulation in order to affirm the future viability of credit unions and the safety of deposits therein, promote the unencumbered commerce between the citizens of Alabama and credit unions, allow for innovations in services, products, and technology that maximize credit unions' capabilities to provide service, and assure that Alabama state credit unions provide professional and competent financial services to the citizens of Alabama regardless of means.

Governor Ivey, thank you for your leadership of the State of Alabama. We appreciate your support and the support of your staff during the past year.

ACUA's annual reports for the six years ended December 31, 2017 are available on ACUA's website: www.ACUA.Alabama.gov.

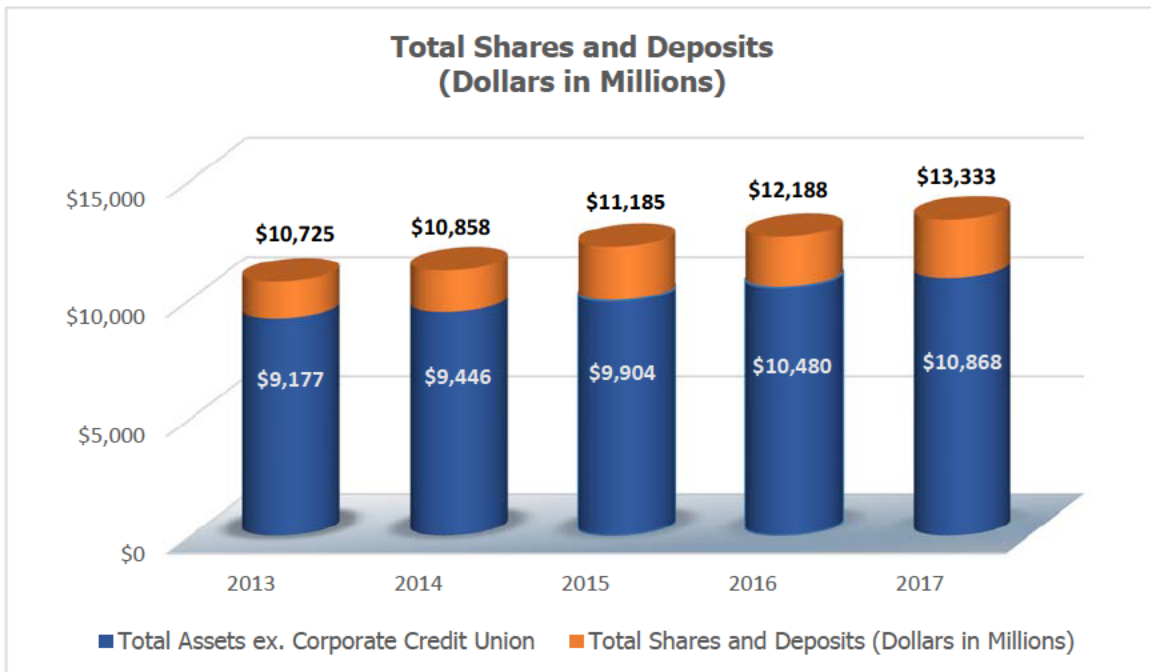
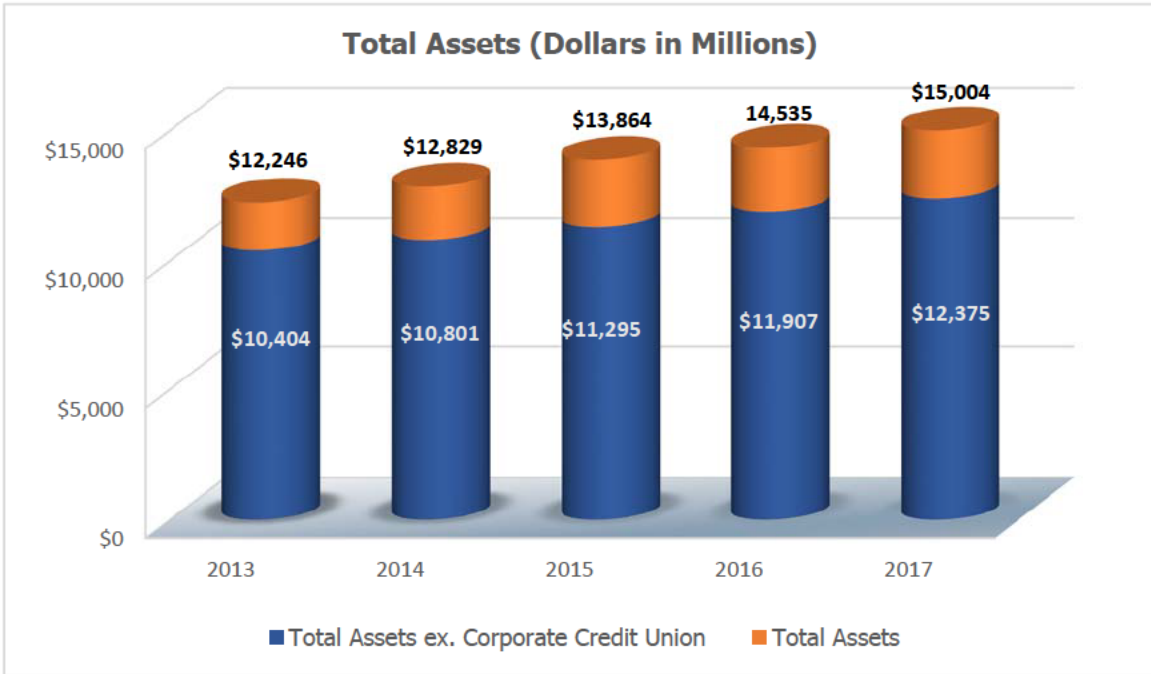
Respectfully,



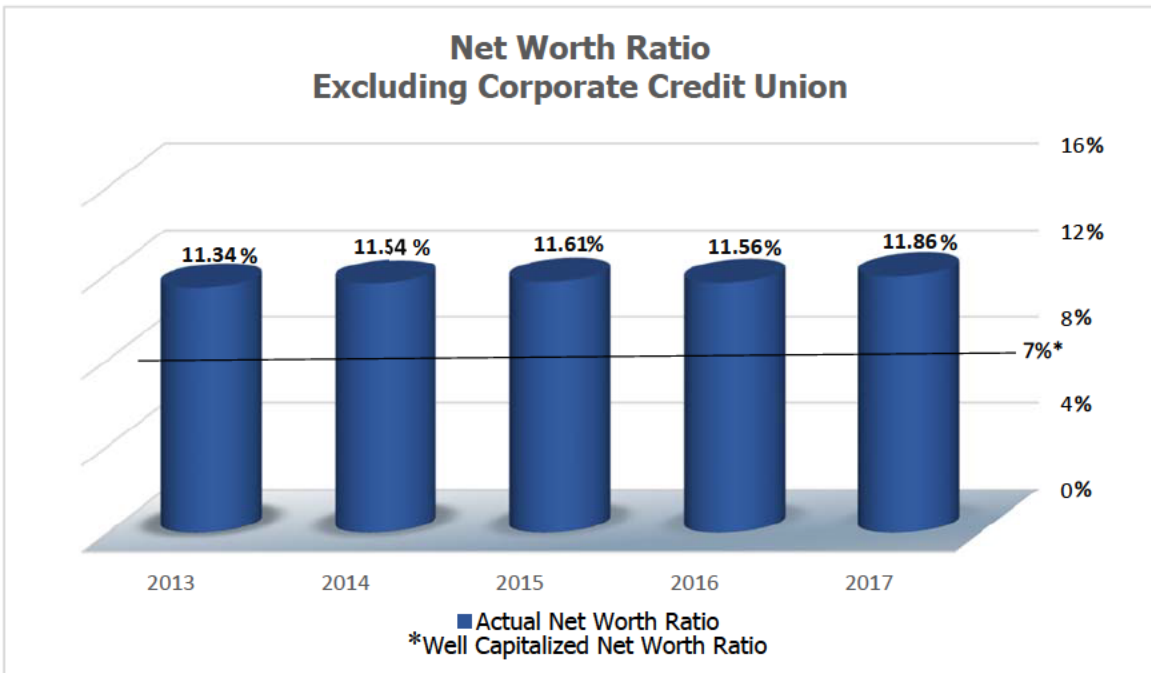
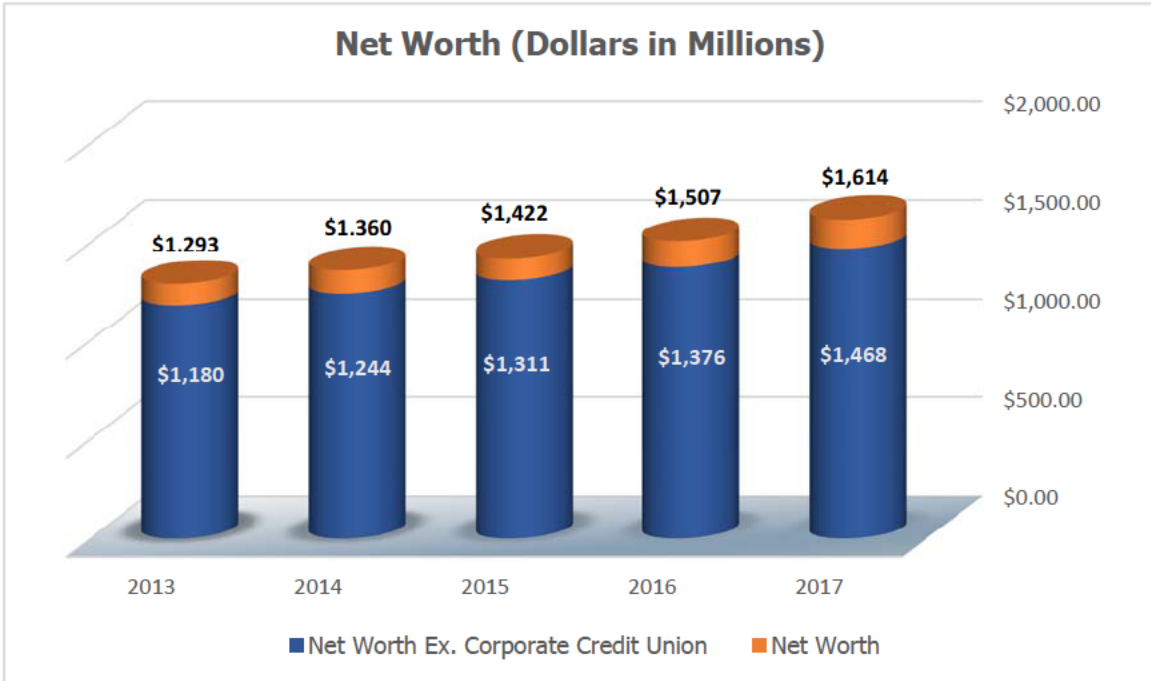
Sarah Henderson Moore
Administrator and Chairman of the Board

Financial Highlights

Alabama Credit Unions Key Statistics As of December 31



Alabama Credit Unions Key Statistics As of December 31



**Alabama Credit Unions
Key Statistics
As of December 31**



**Financial Institutions Acquired by / Merged Into
Alabama State Chartered Credit Unions**

Date	Seller	Assets	Acquirer	City
March 3, 2017	Bank of Pine Hill	\$14.8 million	Family Security Credit Union	Decatur, AL
December 31, 2017	Tuscaloosa Credit Union	\$75.2 million	Alabama Credit Union	Tuscaloosa, AL

**Alabama State Chartered Credit Unions Acquired by /
Merged Into Federal Credit Unions or Out of State Credit Unions**

Date	Seller	Assets	Acquirer	City
December 4, 2017	Riverdale Credit Union, In conservatorship of NCUA and ACUA	\$54.9 million	Jefferson Financial Federal	Metairie, LA

Corporate Credit Union
Condensed Financial Highlights as of December 31

\$ in 000's	2016	2017	% Increase
Assets	\$2,420,811	\$2,628,564	8.6%
Loans, net	11,038	12,756	15.6%
Investments	1,765,951	2,084,648	18.0%
Shares and Deposits	2,120,555	2,465,060	16.2%
Total Capital	137,519	142,570	3.7%
Net Income	10,838	10,800	-0.4%
Members	489	486	-0.6%

Key Ratios
for the years ended December 31

	2016	2017
Tier 1 Capital	4.41%	5.23%
Total Risk Based Capital Ratio	18.06%	18.00%
Return on Average Assets	0.40%	0.41%
Yield on Investments	1.26%	1.76%
Cost of Funds/ Average Assets	0.69%	1.00%
Net Interest Margin	0.58%	0.76%

Alabama Credit Unions Ranked by Assets

2017 Rank	Ins. #	Credit Union Name	City	Total Assets 12/31/2017
1	62728	APCO EMPLOYEES	Birmingham	\$ 2,814,712,537
2	65991	CORPORATE AMERICA	Birmingham	2,628,563,676
3	68575	MAX	Montgomery	1,315,416,754
4	60823	ALABAMA	Tuscaloosa	851,509,554
5	63057	LISTERHILL	Muscle Shoals	755,122,897
6	68583	AVADIAN	Birmingham	747,425,143
7	60605	FAMILY SECURITY	Decatur	623,144,468
8	68595	ALABAMA ONE	Tuscaloosa	594,061,625
9	68374	GUARDIAN	Montgomery	450,091,651
10	68628	FAMILY SAVINGS	Rainbow City	397,957,337
11	68302	FIVE STAR	Dothan	383,486,513
12	68559	TVA COMMUNITY	Muscle Shoals	310,299,539
13	67252	ALABAMA TEACHERS	Gadsden	285,803,046
14	64598	ALABAMA STATE EMPLOYEES	Montgomery	259,704,360
15	97076	WINSOUTH	Gadsden	259,125,833
16	61800	FORT MCCLELLAN	Anniston	231,727,781
17	60799	NEW HORIZONS	Mobile	214,292,223
18	60501	MUTUAL SAVINGS	Birmingham	170,047,669
19	65464	eCO	Birmingham	138,308,404
20	60712	ALABAMA CENTRAL	Birmingham	135,829,886
21	60934	ALATRUST	Hoover	134,264,687
22	68586	HERITAGE SOUTH	Sylacauga	121,206,971
23	60942	RIVERFALL	Tuscaloosa	120,083,635
24	68688	RAILROAD COMMUNITY	Irondale	107,185,088
25	62661	NAHEOLA	Pennington	94,090,632
26	60500	NORTH ALABAMA EDUCATORS	Huntsville	92,929,652
27	61286	MOBILE EDUCATORS	Mobile	82,994,769
28	60930	VALLEY	Tuscumbia	69,656,119
29	63834	JEFFERSON	Hoover	66,524,322
30	63614	CHAMPION COMMUNITY	Courtland	51,200,288
31	97083	LANDMARK	Fairfield	41,137,437
32	64232	1ST RESOURCE	Birmingham	37,367,773
33	68624	ALABAMA RURAL ELECTRIC	Montgomery	31,950,391
34	63940	DCH	Tuscaloosa	30,157,032
35	61391	SOCIAL SECURITY	Birmingham	29,375,879
36	61944	LAUDERDALE COUNTY TEACHERS	Florence	28,741,815
37	68224	AZALEA CITY	Mobile	27,311,542
38	61150	WCU	Decatur	24,716,799
39	61339	MOBILE GOVERNMENT EMPLOYEES	Mobile	22,130,278
40	62664	HEALTH	Birmingham	19,584,630
41	62599	FEDERAL EMPLOYEES	Birmingham	19,538,877
42	65402	ALABAMA RIVER	Monroeville	18,602,059
43	62062	CITY	Tuscaloosa	18,414,671
44	61474	RAILWAY EMPLOYEES	Muscle Shoals	18,283,004
45	62486	OPP-MICOLAS	Opp	13,150,600
46	64603	ALABAMA LAW ENFORCEMENT	Birmingham	12,333,638
47	63944	CRAIG	Selma	12,177,559
48	62471	MOBILE POSTAL	Mobile	10,917,194
49	64464	TUSCALOOSA COUNTY	Tuscaloosa	9,402,350
50	62356	L&N EMPLOYEES	Birmingham	9,183,439
51	64528	BIRMINGHAM CITY EMPLOYEES	Birmingham	8,951,565
52	64644	BLUE FLAME	Mobile	8,332,103
53	63634	PIKE TEACHERS	Troy	7,955,969
54	64645	ALABAMA POSTAL	Birmingham	7,719,259
55	61055	CHEM FAMILY	Anniston	6,815,183
56	64594	FIREMAN'S	Birmingham	5,515,063
57	61277	CHEMCO	McIntosh	5,054,891
58	60593	BRASSIES	Anniston	4,455,675
59	64774	POSTAL EMPLOYEES	Huntsville	3,091,186
60	64593	O'NEAL	Birmingham	2,524,729
61	62798	DIXIE CRAFT EMPLOYEES	Goodwater	2,173,954
			Total	\$ 15,003,833,603

Alabama Credit Unions Ranked by Shares / Deposits

2017 Rank	Ins. #	Credit Union Name	City	Shares and Deposits 12/31/17
1	62728	APCO EMPLOYEES	Birmingham	\$ 2,520,279,047
2	65991	CORPORATE AMERICA	Birmingham	2,465,060,198
3	68575	MAX	Montgomery	1,118,861,796
4	60823	ALABAMA	Tuscaloosa	746,125,136
5	63057	LISTERHILL	Muscle Shoals	677,199,863
6	68583	AVADIAN	Birmingham	667,661,898
7	68595	ALABAMA ONE	Tuscaloosa	533,271,194
8	60605	FAMILY SECURITY	Decatur	529,227,467
9	68374	GUARDIAN	Montgomery	391,705,657
10	68628	FAMILY SAVINGS	Rainbow City	347,399,775
11	68302	FIVE STAR	Dothan	334,167,705
12	68559	TVA COMMUNITY	Muscle Shoals	265,373,639
13	67252	ALABAMA TEACHERS	Gadsden	243,837,786
14	97076	WINSOUTH	Gadsden	236,027,168
15	64598	ALABAMA STATE EMPLOYEES	Montgomery	229,556,361
16	60799	NEW HORIZONS	Mobile	199,265,788
17	61800	FORT MCCLELLAN	Anniston	199,186,497
18	60501	MUTUAL SAVINGS	Birmingham	142,334,032
19	65464	eCO	Birmingham	125,662,052
20	60712	ALABAMA CENTRAL	Birmingham	122,986,875
21	60934	ALATRUST	Hoover	117,690,023
22	68586	HERITAGE SOUTH	Sylacauga	109,106,107
23	60942	RIVERFALL	Tuscaloosa	104,412,505
24	68688	RAILROAD COMMUNITY	Irondale	93,951,918
25	60500	NORTH ALABAMA EDUCATORS	Huntsville	84,876,236
26	61286	MOBILE EDUCATORS	Mobile	74,127,098
27	62661	NAHEOLA	Pennington	72,733,864
28	63834	JEFFERSON	Hoover	59,663,786
29	60930	VALLEY	Tuscumbia	57,635,099
30	63614	CHAMPION COMMUNITY	Courtland	44,818,638
31	97083	LANDMARK	Fairfield	36,037,212
32	64232	1ST RESOURCE	Birmingham	33,211,424
33	68624	ALABAMA RURAL ELECTRIC	Montgomery	27,913,237
34	63940	DCH	Tuscaloosa	26,009,246
35	61944	LAUDERDALE COUNTY TEACHERS	Florence	25,019,734
36	68224	AZALEA CITY	Mobile	23,221,917
37	61391	SOCIAL SECURITY	Birmingham	23,042,494
38	61150	WCU	Decatur	22,019,594
39	61339	MOBILE GOVERNMENT EMPLOYEES	Mobile	18,830,820
40	65402	ALABAMA RIVER	Monroeville	16,449,218
41	62599	FEDERAL EMPLOYEES	Birmingham	16,115,764
42	62664	HEALTH	Birmingham	15,294,398
43	62062	CITY	Tuscaloosa	14,629,640
44	61474	RAILWAY EMPLOYEES	Muscle Shoals	13,947,602
45	63944	CRAIG	Selma	10,620,785
46	64603	ALABAMA LAW ENFORCEMENT	Birmingham	10,272,117
47	62486	OPP-MICOLAS	Opp	9,924,194
48	62471	MOBILE POSTAL	Mobile	9,136,652
49	64464	TUSCALOOSA COUNTY	Tuscaloosa	8,490,055
50	64528	BIRMINGHAM CITY EMPLOYEES	Birmingham	7,680,442
51	62356	L&N EMPLOYEES	Birmingham	7,656,951
52	64644	BLUE FLAME	Mobile	7,135,018
53	63634	PIKE TEACHERS	Troy	6,860,203
54	61055	CHEM FAMILY	Anniston	5,836,776
55	64645	ALABAMA POSTAL	Birmingham	5,421,079
56	61277	CHEMCO	McIntosh	4,285,915
57	64594	FIREMAN'S	Birmingham	3,798,364
58	60593	BRASSIES	Anniston	3,659,396
59	64774	POSTAL EMPLOYEES	Huntsville	2,691,069
60	64593	O'NEAL	Birmingham	1,919,758
61	62798	DIXIE CRAFT EMPLOYEES	Goodwater	1,816,536
Total				<u>\$ 13,333,152,818</u>

**Alabama Credit Union
2017 Board of Directors**

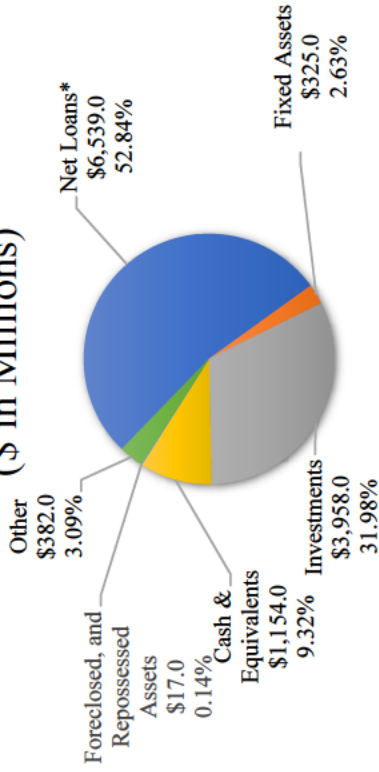
	Appointment Date	Confirmation Date	End of Term
Mrs. Sarah H. Moore, Chairman, Ex Officio 100 North Union Street, Suite 650 Montgomery, Alabama 36104 sarah.moore@acua.alabama.gov	1/26/2015	4/2/2015	2/1/2019
Mr. Charles Faulkner, President Jefferson Credit Union 5261 Ross Bridge Pkwy Hoover, AL. 35226 cfaulkner@jcubanking.com	5/03/2016	3/09/2017	2/01/2019
Mr. Joey Hand, President ECO Credit Union P.O. Box 2385 Birmingham, AL. 35201 jhand@ecocu.org	5/03/2016	3/09/2017	2/01/2019
Mr. Ralph A. Altice 601 Savannah Street Mobile, AL 36603 RalphAltice@aol.com	2/23/2017	3/9/2017	2/01/2020
Mr. Harold G. McClellan, President MAX Credit Union P.O. Box 244040 Montgomery, AL 36124-4040 hgm@mymax.com	2/23/2017	3/09/2017	2/01/2020
Mr. Steve Nix, President AlaTrust Credit Union 1018 Merchants Drive Birmingham AL. 35244 snix@alatrustedcu.com	2/23/2017	3/09/2017	2/01/2020
Ms. Linda Cencula, President Avadian Credit Union P. O. Box 360287 Birmingham, AL. 35236-0287 lcencula@avadiancu.org	3/13/2018	3/14/2018	2/01/2021
Ms. Greta Webb-Williams 125 Forest Hill Road Wetumpka, AL 36093 greta.williams@labor.alabama.gov	3/13/2018	3/14/2018	2/01/2021

Supplemental Information



State Chartered Credit Unions Supplemental Information (excludes Corporate Credit Union)

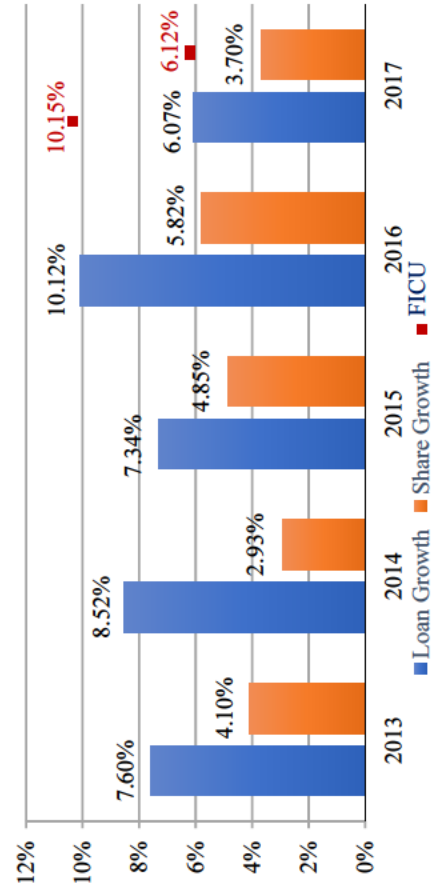
Alabama Asset Distribution (\$ in Millions)



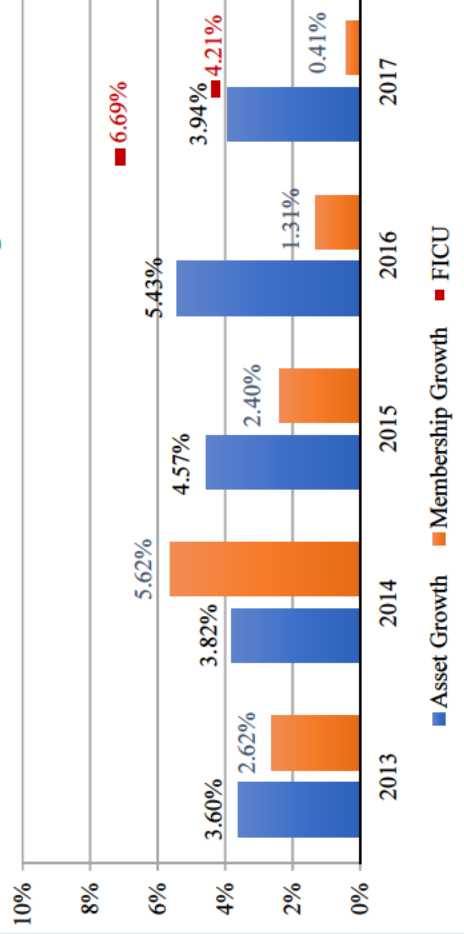
*Net Loans equals Total Loans (\$6,601 million) minus Allowance for Loan and Lease

	Number of Insured Credit Unions Reporting			
	Federal Charter	State Charter	Total	Alabama
2013	4,105	2,449	6,554	67
2014	3,927	2,346	6,273	63
2015	3,764	2,257	6,021	62
2016	3,608	2,177	6,785	61
2017	3,499	2,074	5,573	61

Loan Growth vs. Share Growth



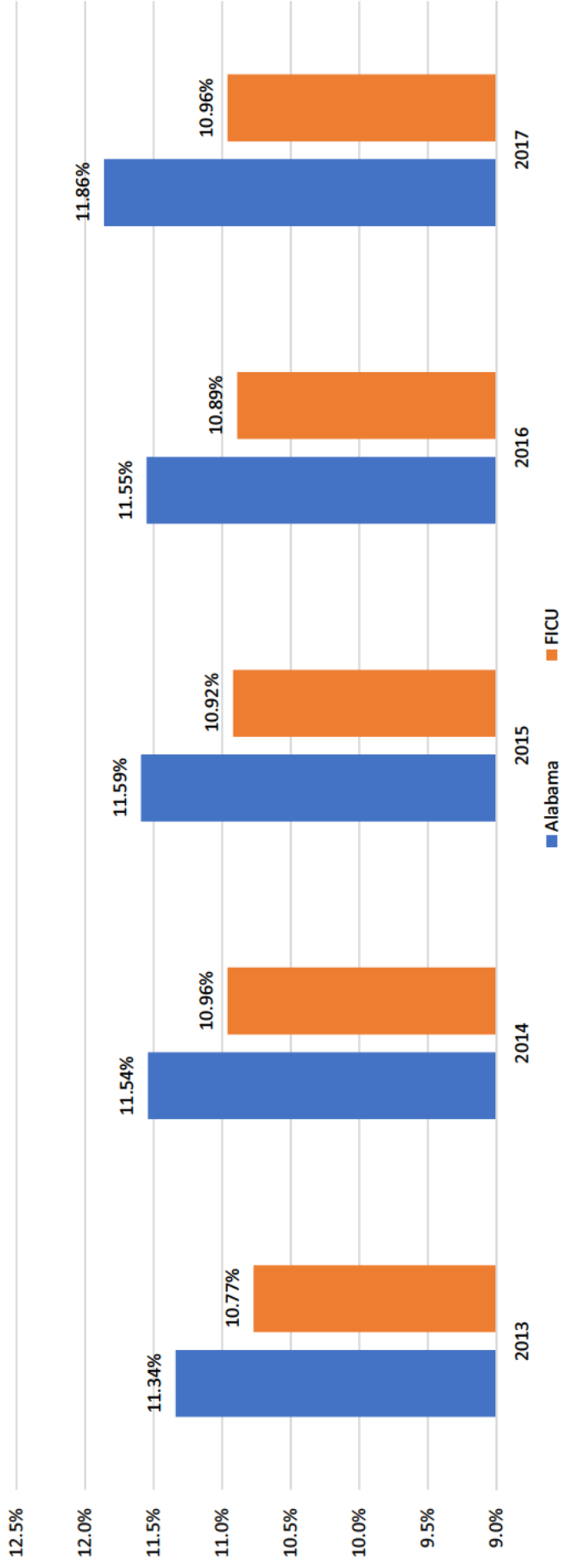
Asset Growth vs. Membership Growth





State Chartered Credit Unions Supplemental Information (excludes Corporate Credit Union)

Aggregate Net Worth Ratio



Net Worth Change

	December 2016	December 2017	% Change (Annualized)
	\$ in Millions	\$ in Millions	
Total Net Worth	\$1,375	\$1,468	6.71%

Net Worth Ratios

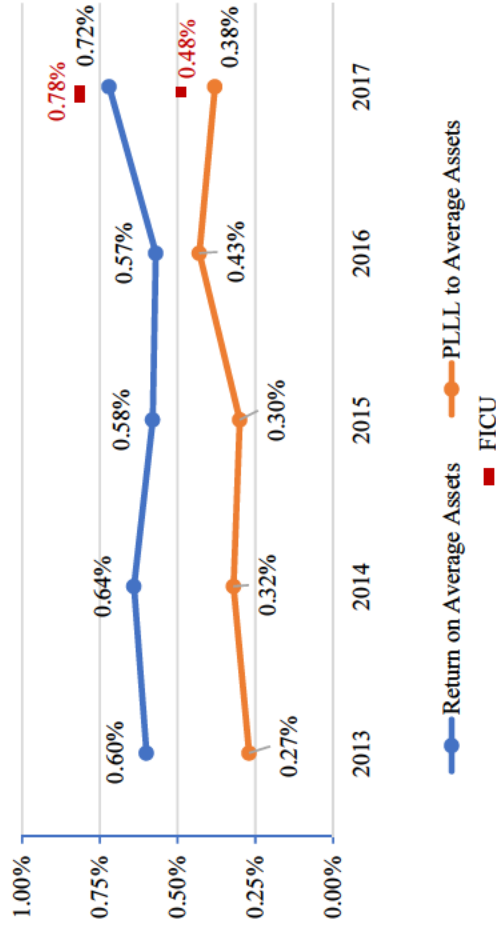
Number of Credit Unions	December 2017	% of Total
>13%	32	53%
>10% <12%	19	32%
>7% <9%	8	13%
Below 7%	1	2%



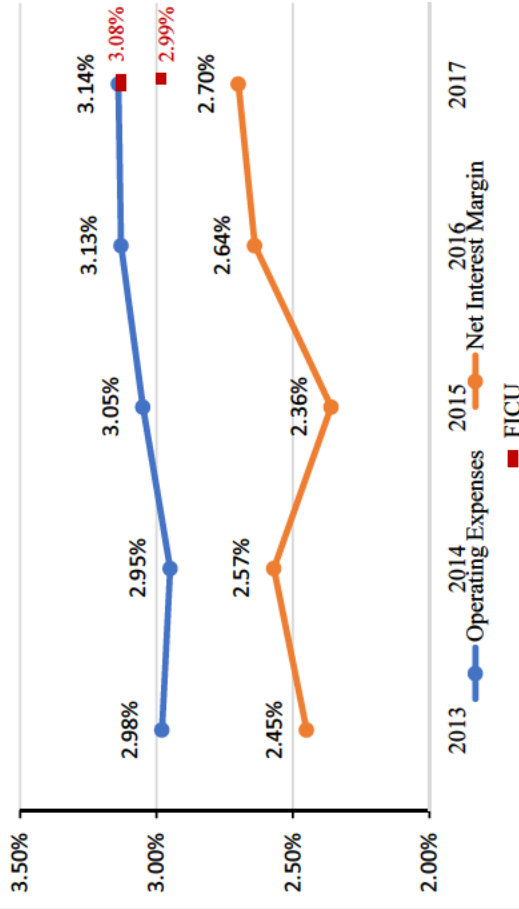
State Chartered Credit Unions Supplemental Information (excludes Corporate Credit Union)

Earnings

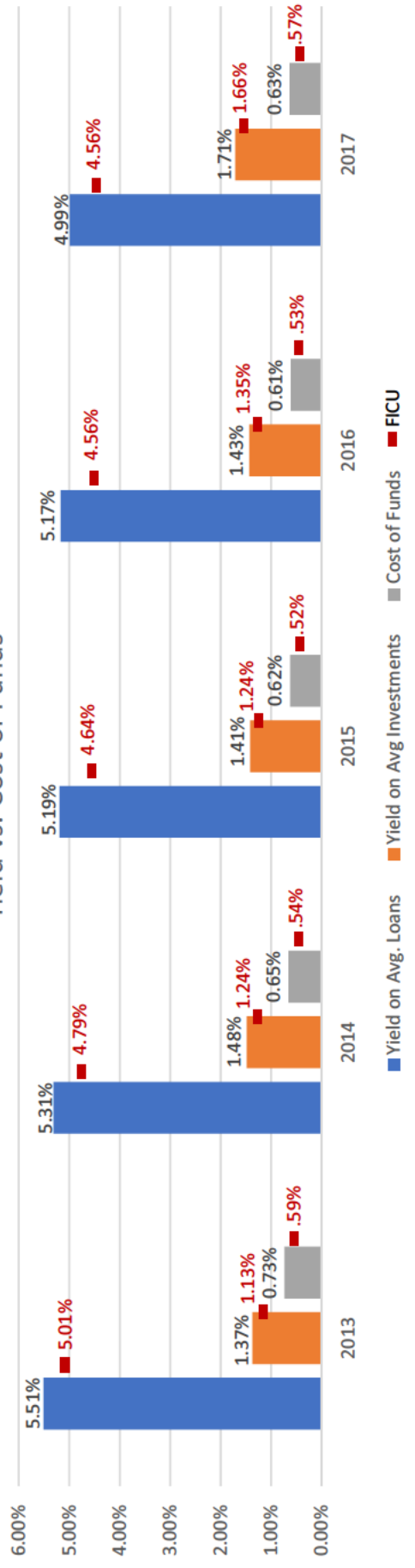
Return on Average Assets vs. Provision for Loan & Lease Losses



Operating Expenses vs. Net Interest Margin



Yield vs. Cost of Funds

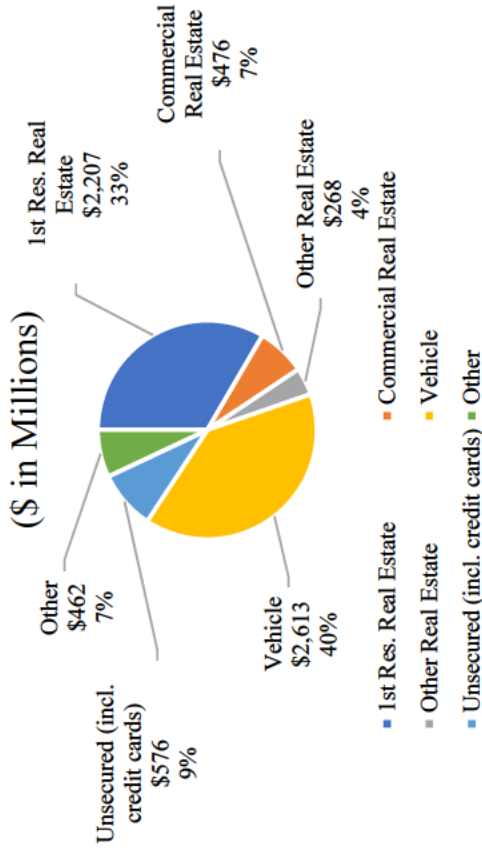




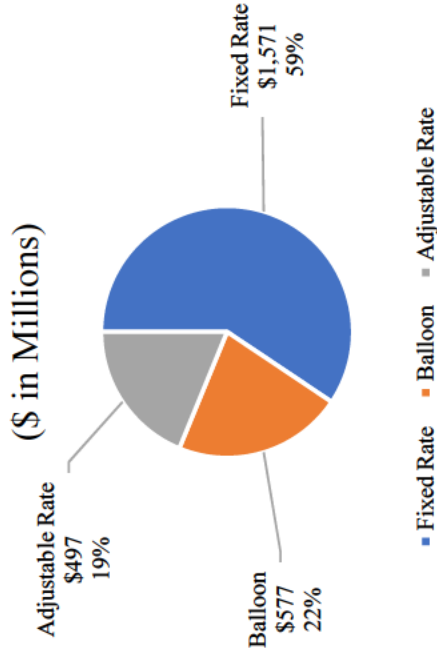
State Chartered Credit Unions Supplemental Information (excludes Corporate Credit Union)

Loan Distribution

Loan Distribution



First Mortgage Real Estate Loans Residential and Commercial



Loan Category	December 2016 \$ In Millions	December 2017 \$ In Millions	% of Total Loans December 2016	% of Total Loans December 2017
Unsecured Credit Card	\$242	\$251	3.89%	3.80%
All Other Unsecured	\$328	\$325	5.27%	4.92%
New Vehicle	\$503	\$604	8.08%	9.15%
Used Vehicle	\$1,926	\$2,009	30.95%	30.43%
First Res. Mortgage Real Estate	\$2,475	\$2,207	39.77%	33.43%
Other Real Estate	\$261	\$268	4.19%	4.06%
Leases Receivable & All Other	\$489	\$461	7.85%	7.00%
Commercial Loans*		\$476		7.21%
Total Loans	\$6,224	\$6,601	100%	100%

*New category on 5300's added 9/30/17

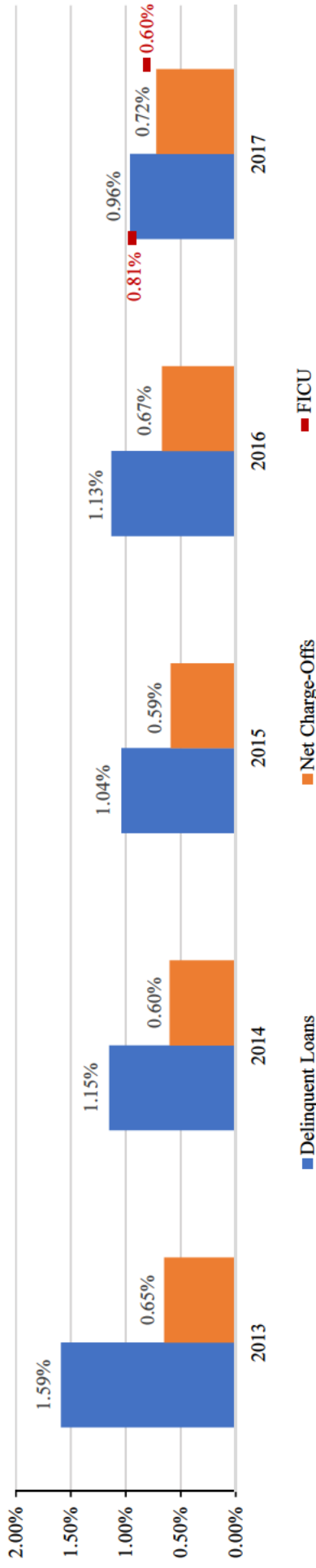
Numbers may not add up due to rounding



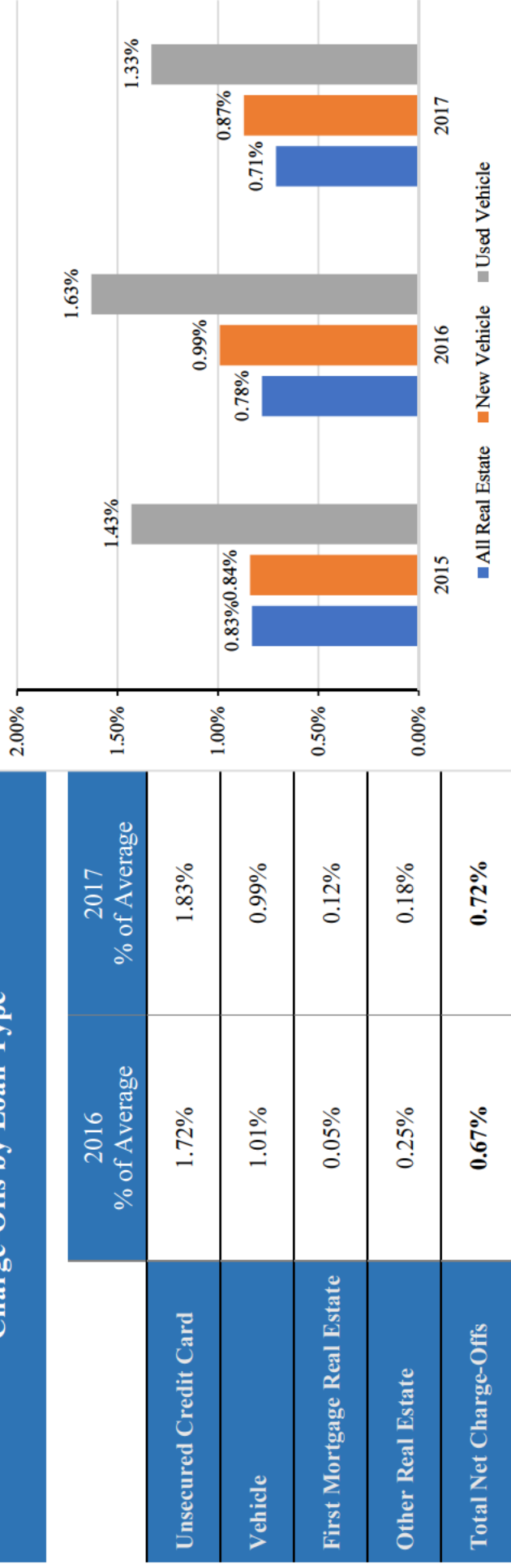
State Chartered Credit Unions Supplemental Information (excludes Corporate Credit Union)

Loan and Delinquency Trends

Delinquency & Net Charge-Offs



Charge-Offs by Loan Type

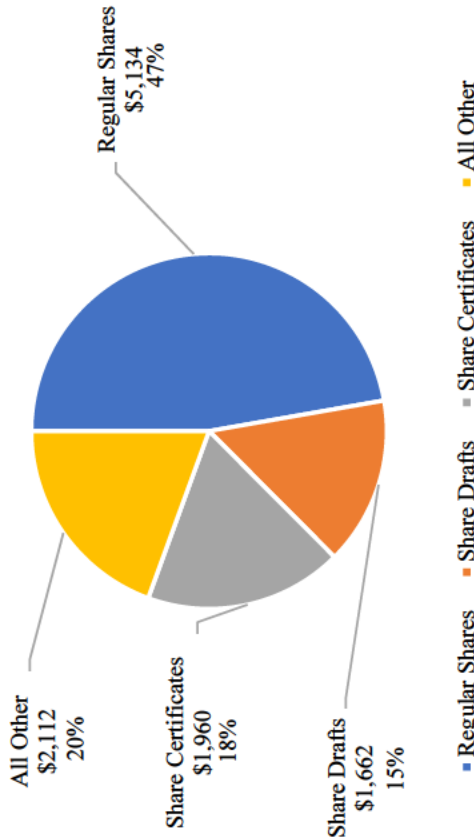




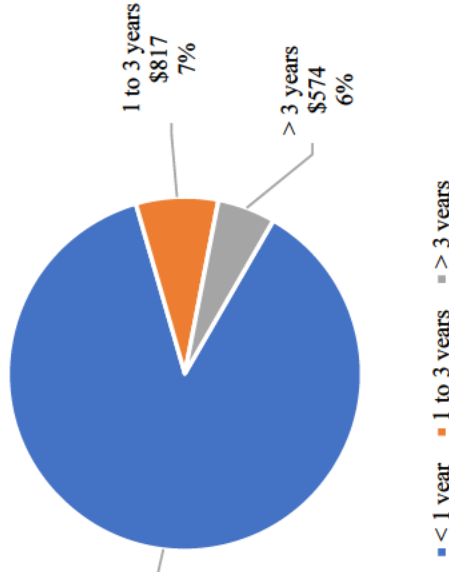
State Chartered Credit Unions Supplemental Information (excludes Corporate Credit Union)

Share Trends

Share Distribution (\$ in Millions)



Share Maturities (\$ in Millions)



Shares

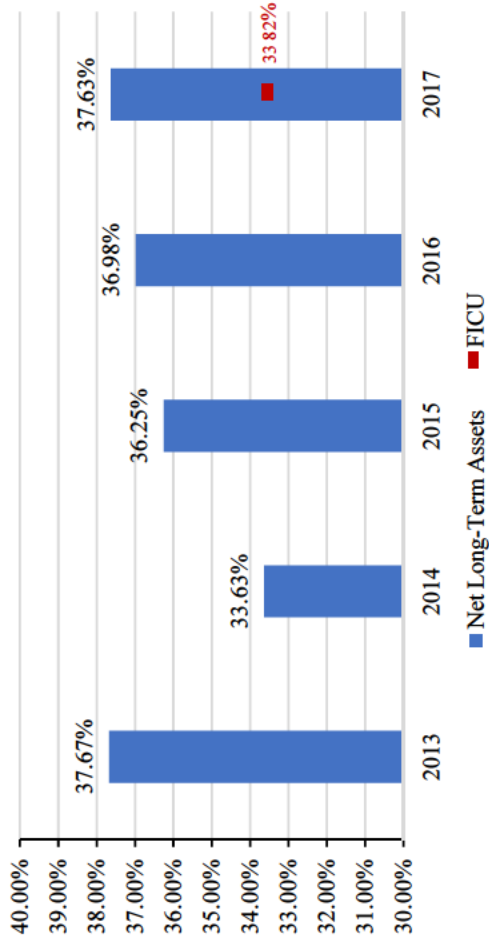
Share Category	December 2016 Balance \$ in Millions	% of Total Shares December 2016	December 2017 Balance \$ in Millions	% of Total Shares December 2017	Growth \$ in Millions	Growth Rate (Annualized)
Share drafts	\$1,557.51	14.86%	\$1,661.6	15.28%	\$104.09	6.68%
Regular Shares	\$4,860.05	46.37%	\$5,134.0	47.24%	\$273.95	5.64%
Money Market Shares	\$910.74	8.69%	\$937.5	8.63%	\$26.76	2.94%
Share Certificates	\$1,979.84	18.89%	\$1,960.2	18.04%	-\$19.64	-0.99%
IRA / KEOGH Accounts	\$1,045.19	9.97%	\$1,039.3	9.56%	-\$5.89	-0.56%
All Other Shares	\$113.22	1.08%	\$121.4	1.12%	\$8.18	7.22%
Non-Member Deposits	\$13.73	0.14%	\$14.0	0.13%	\$0.27	1.97%
Total Shares and Deposits	\$10,480.28		\$10,868		\$387.72	3.70%



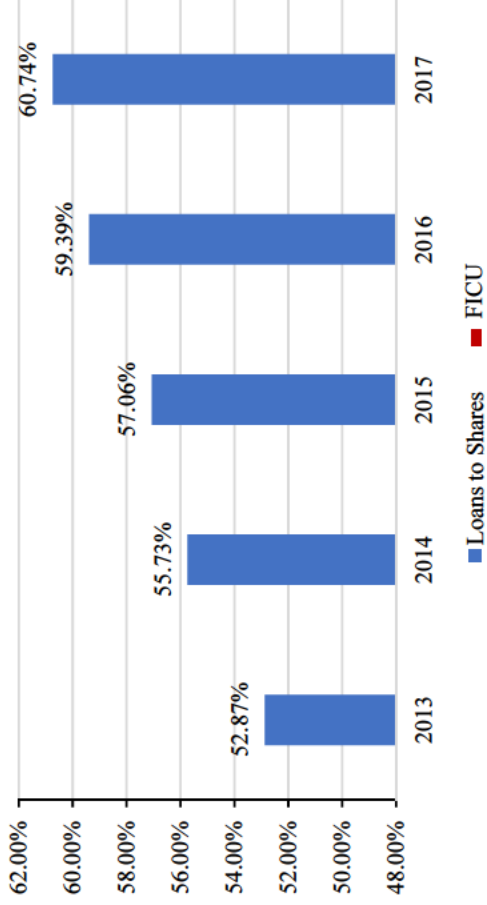
State Chartered Credit Unions Supplemental Information (excludes Corporate Credit Union)

Asset-Liability Management Trends

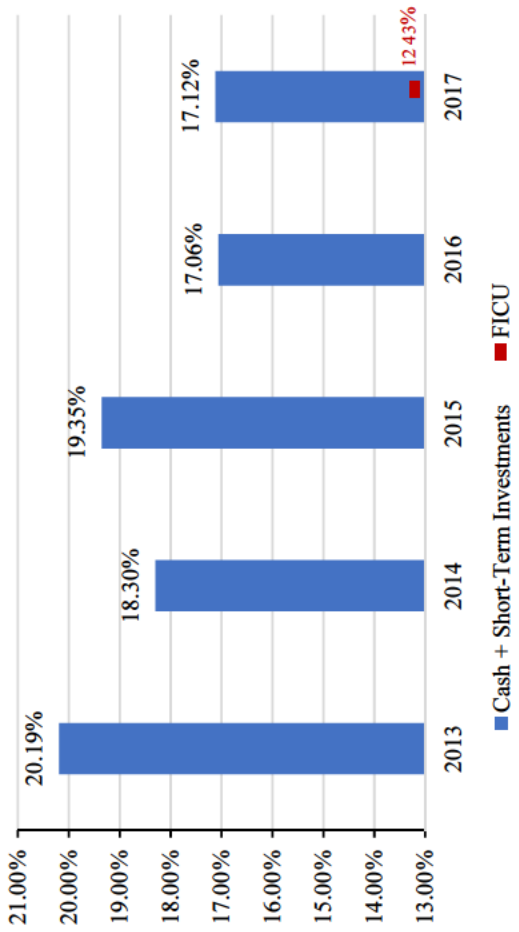
Net Long-Term Assets / Total Assets



Total Loans / Total Shares



Cash + Short-Term Investments / Assets



Borrowings / Total Shares & Net Worth

