

2011

**ANNUAL
REPORT**

**MANAGING
OUR FUTURE**

THROUGH

INNOVATION

& TECHNOLOGY



**Army Aviation Center
Federal Credit Union**

MISSION STATEMENT

Army Aviation Center Federal Credit Union is a member-owned financial institution. Its purpose is to maximize member benefits through cost effective financial services. Army Aviation Center Federal Credit Union endeavors to expand while maintaining financial soundness and promoting the principles of the "Credit Union Movement" in the local, national and international communities.

ABOUT THE COVER

Managing our future has been the focus of Army Aviation Center Federal Credit Union since its inception in 1966. The benefits of increased technology within the Credit Union are far reaching for both members and employees. The innovations that will be forthcoming with the advent of new technology will be cost-saving implementations for the Credit Union and time-saving features for members. Our future is bright, your investments are safe and secure and the technology being deployed to care for your assets, as well as provide exceptional service, is second to none. The Board of Directors, Supervisory Committee, management team and staff are invested in the future and serving you, our members, in future growth with innovation and technology.



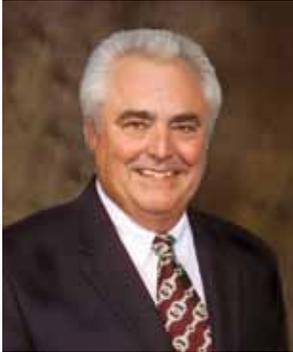
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LETTER FROM THE

CHAIRMAN OF THE BOARD



The credit union industry was founded on the premise of people helping people. This is precisely what Army Aviation Center Federal Credit Union represents, a group of people with the same common idea of helping one another to reach common goals.

Offering lower interest rates and a fair return on savings has been your Credit Union's objective since its beginning; this will not change. Your Credit Union is committed to providing you, our members, the best value for your money. Regardless of the very complex financial market we are experiencing, your Credit Union continues to explore new financial services, including, but not limited to, an in-house financial planning service aimed at giving members a full range of investment options.

With the addition of the new operations center in Daleville, a new motorbank on the southeast side of Enterprise, and the acquisition of property in Dothan, we are trying very hard to prepare for our members' future needs. This is a very sound expansion strategy intended to better serve our growing membership.

Your Credit Union receives financial audits throughout the year from both federal and private sectors. The audit results this year have been the best since the establishment of the Credit Union. We have been placed in the top two percent of all credit unions for safety by at least one credit union and bank rating agency. This is quite an accomplishment. This did not happen by accident but through very precise planning for the unexpected by your board and management team.

Several years ago, we set a limit on the dollar threshold of real estate loans and dodged the Achilles heel of the financial meltdown by not having your assets tied-up in a very soft real estate market. We will continue to stay ahead of the market place and protect our member's assets.

Respectfully submitted,

A handwritten signature in blue ink that reads "LTC (Ret) Charlie Mingus". The signature is written in a cursive, flowing style.

LTC (Ret) Charlie Mingus
Chairman of the Board



LETTER FROM THE PRESIDENT



With all the bad financial news out there, it is difficult to put a good spin on 2011 in general when it comes to the performance of financial institutions. The final December numbers reflect that Army Aviation Center Federal Credit Union has had another successful year.

Notwithstanding the multitude of financial institution failures in 2011 and credit downgrades from our nation's rating agencies, your Credit Union, for the fifteenth consecutive year, has again received a five-star rating, the highest rating for safety and soundness, from Bauer Financial, Inc., a nationally known bank and credit union rating service. Additionally, Weiss Rating Service, another leading independent provider of ratings and analyses of financial services companies has awarded your Credit Union an "A" for solvency and safety. Fewer than 2 percent of the nation's credit unions meet the criteria for exceptional financial strength. In times like these, the last thing your family needs to worry about is the safety of your lifelong nest egg.

As we turn the page on 2011, we set our sights on rolling out new products, services and upgrades in 2012 that will assist our members in better managing their finances. One service that we are particularly proud of is our new brokerage service called Army Aviation Center Wealth Management. This new service, which began in January, offers investment and retirement planning at our offices, in partnership with LPL Financial, one of the nation's leading and largest independent broker/dealers.

Also coming in 2012 will be the completion of our new operations center in Daleville. This modern, state-of-the-art facility will consolidate all of our back office operations including our call center, accounting, data processing, marketing, compliance, loss prevention, personnel and training and senior management staff. Construction began in January on a new motorbank and ATM facility on the southeast side of Enterprise near Highway 27 South and the Enterprise bypass.

We are excited about the possibilities 2012 has to offer to those of us in the financial services industry. As long as we embrace the changes that we know are coming and keep a positive attitude, nothing can keep Army Aviation Center Federal Credit Union from having another year of superb, stellar performance.

Respectfully submitted,

Jim H. Mitchell
President/CEO

LETTER FROM THE TREASURER



Serving on the Board of Directors of Army Aviation Center Federal Credit Union is much different now than in the past. Increased competition in the financial services industry, growing compliance burdens and examiners' education standards have all brought new duties and responsibilities for your Credit Union directors.

But what hasn't changed is the original intent of your Board of Directors to represent its members. In order to complete this mission, the Board of Directors of Army Aviation Center Federal Credit Union considers various governance conventions and expectations. As they should, Credit Union members are paying very close attention to, and want assurances that, its Board of Directors is safeguarding their investment in the success and ongoing viability of their Credit Union.

As directors, we are ultimately responsible for governing the affairs of the Credit Union. Your Board of Directors actively discusses strategy, results and direction to make certain the progress of the Credit Union primarily benefits the long-term interest of our members. Your Board of Directors has found that the finest way to develop as a board and as board members is to set group and individual expectations and measure the results. Through strategic planning, we explore and consider our members' future needs and plan accordingly. A prime example of this, is the construction of our new operations center that will handle the Credit Union expansion needs for many years to come.

As a result, your Board of Directors and management team have a plan for a long steady flow of new members and service opportunities and are fine tuning strategies to forge deeper financial relationships with new and existing members.

I am repeating myself but I am glad to do so, in that, again this year, Army Aviation Center Federal Credit Union has received high marks for safety and soundness issues from its outside auditors, federal regulators and credit rating agencies.

It continues to be my honor and privilege to serve with the other board members, supervisory committee and management team at Army Aviation Center Federal Credit Union.

Respectfully submitted,

A handwritten signature in blue ink that reads "Cracker Waldrop". The signature is written in a cursive, slightly slanted style.

Cracker Waldrop
Treasurer



LETTER FROM THE

VICE PRESIDENT OF LENDING



Last year continued to be full of challenges for Army Aviation Center Federal Credit Union. While you, our members, continued to trust us with your assets, it was a difficult year for lending. Due to the economy, it appears consumers are purchasing fewer vehicles and mortgage loans have declined.

AACFCU has not changed its lending policy. Unlike many financial institutions which have tightened their lending criteria, your Credit Union is lending money the same way it always has plus there is money to lend. The Credit Union wants to be your primary financial institution.

Although faced with the ever present federal rules and regulations and a very slow economy, we managed our loan portfolio with sound results due to the guidance of our Board of Directors and our President, the diligence of our loan officers and the stability of our loyal members. Overall, AACFCU had a good 2011.

Last year, 58,765 loans were made to our members totaling \$133,176,950. There were 1,491 loans referred to lending managers for review and of these loans, 1,234 were approved or conditioned.

Mortgage rates have remained low and according to economic models rates might continue to be low for a few more years. Our mortgage policies have changed very little as compared to other financial institutions that have had to change the way they lend money.

We now have 10,311 MasterCards in our credit card portfolio. These cards have an outstanding balance of \$24,225,833. We are still offering our popular low rate Platinum MasterCard® and Platinum MasterCard with CUREwards™ credit cards with no annual or over limit fee and a low fixed interest rate.

Our preferred program for area car dealers continues to grow. We have recently expanded into the Mobile and Eastern Shore area of Alabama. This program allows the car dealer's customers and our members to obtain an auto loan from the Credit Union at the dealership without having to visit one of our branch locations. This provides an extra benefit of a preferred dealer network for our members to utilize when purchasing a vehicle. A link on our website affords members an online avenue to shop for a vehicle as well.

In 2011, we released a new optional debt protection product. Not only does this product pay your monthly loan payments if there is a disability or death but it has an involuntary unemployment feature. In these uncertain economic times, it is comforting to know if you unwillingly lose your job, debt protection can cover your loan payment until employment is found.

Each year, a percentage of all our loans are reviewed for merit. The loan quality of our loan officers is monitored to help ensure the safety and soundness of your Credit Union. In 2011, there were 2,911 loans monitored for compliance with policies and procedures set forth by the Board of Directors and the National Credit Union Administration.

It is our pleasure to serve you, our members. We appreciate your trust and confidence in Army Aviation Center Federal Credit Union. We look forward to 2012 being another outstanding year for the Credit Union and its members.

Respectfully submitted,

Joel C. Faulk
Vice President of Lending

LETTER FROM THE

SUPERVISORY COMMITTEE CHAIRMAN



Army Aviation Center Federal Credit Union has had another very successful year. The latest performance report from the National Credit Union Administration indicated that your Credit Union again outperformed other same-size and larger credit unions in virtually all categories. This is a result of the leadership, management and staff, and you the members who have placed your trust, loyalty and support in Army Aviation Center Federal Credit Union.

The Supervisory Committee is a dedicated group of volunteers contributing time and effort to ensure compliance with the many rules and regulations governing financial institutions. Their mission also includes the investigation of any concerns a member may have and the guarantee of a resolution.

The Board of Directors is accountable for establishing a business plan outlining the mission, goals and objectives for Army Aviation Center Federal Credit Union. Management is obligated to implement the business plan and your Supervisory Committee is responsible for monitoring its progress.

This past year, your Supervisory Committee worked closely with internal and external auditors, examining account records and business procedures to ensure Army Aviation Center Federal Credit Union is in compliance with all state and federal regulations and our policies. No material exceptions were noted that violated any of the policies or regulations governing Army Aviation Center Federal Credit Union.

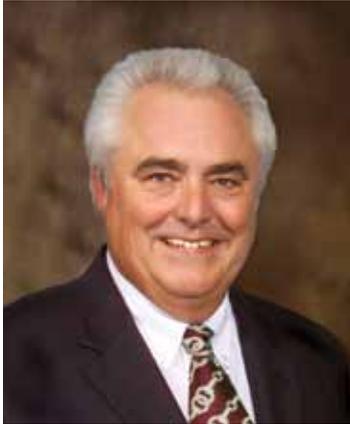
In 2011, Army Aviation Center Federal Credit Union continued to grow and is now over \$1 billion in assets. In 2012, your Credit Union is focusing on new products and services to better assist you in managing your finances. We are also looking forward to the completion of our new operations center in Daleville, a state-of-the-art facility, that will help us better serve our members.

I would like to express my gratitude to the Board of Directors, Supervisory Committee members, management and staff for a job well done in 2011. As always, you, our members, are most appreciated for your loyalty to Army Aviation Center Federal Credit Union.

Respectfully submitted,

A handwritten signature in blue ink that reads "Gerald C. Strange". The signature is fluid and cursive.

Gerald C. Strange
Supervisory Committee Chairman



LTC (Ret) Charlie Mings
Chairman

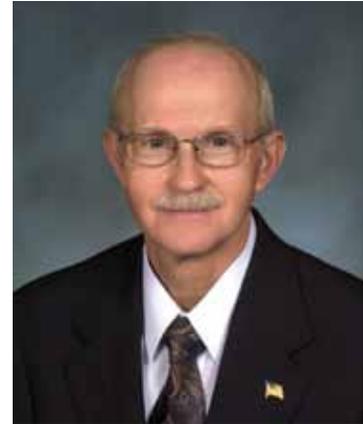
BOARD MEMBERS



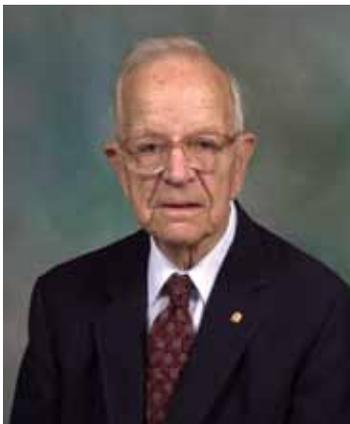
LTC (Ret) Thomas L. Frezell
Vice Chairman



Richard (Cracker) Waldrop
Treasurer



MAJ (Ret) Marc Snyder
Secretary



Roger Turnquist
Member



Mickey Davis
Member



Larry E. Eagerton
Member



SUPERVISORY COMMITTEE



Gerald Strange



Mickey Davis



Donna Brackin

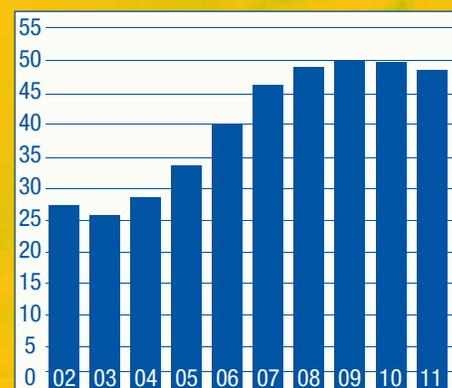
MANAGEMENT TEAM

Jim H. Mitchell	President/CEO
Royas Sanders	Senior Vice President of Operations
Bill Williams	Senior Vice President of Financial Services
Thomas Struan	Senior Vice President of Information Services
Ken Long	Vice President of Compliance and Loss Prevention
Phyllis Phillips	Vice President of Human Resources
Joel Faulk	Vice President of Lending
Lisa Hales	Vice President of Marketing
Jimmy Smith	Assistant Vice President IT & Storage Solutions
Kim Mulliner	Assistant Vice President of Accounting
John Grimes	Assistant Vice President of Mobile Operations
Laura Lynn Lester	Assistant Vice President of Mortgages
Karen McCarthy	Assistant Vice President of Walton County Operations
Pam Vawter	Card and ATM Services Manager
Brandy Woodham	Call Center Service Manager
Barbara Jacobs	Daleville Branch Manager
Milli Chapman	DeFuniak Springs Branch Manager
Martha Pattillo	Dothan North Branch Manager
Jan McAlister	Dothan South Branch Manager
Christina Dear	Dothan West Branch Manager
Sylvia Barnes	Enterprise East Branch Manager
Marcia Reese	Enterprise West Branch Manager
Ben Bradley	Fort Rucker Branch Manager
Chris Thompson	Indirect Lending Manager
Cindy Hicks	Mobile Airport Branch Manager
Teresa King	Ozark North Branch Manager
	Ozark South Branch Manager
Bridget Riley	Troy Branch Manager

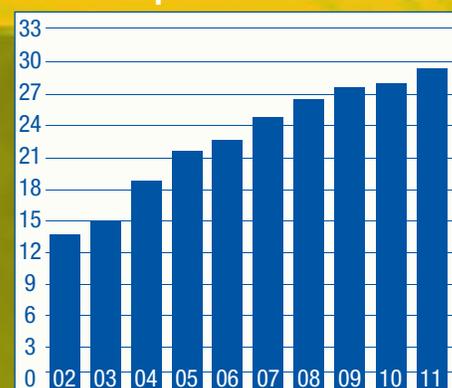
STATEMENT OF INCOME AND EXPENSES

	December 31 2011	December 31 2010
INTEREST INCOME		
Interest on Loans	\$ 19,311,093	\$ 21,604,483
Income from Investments	14,034,822	13,600,474
TOTAL INTEREST INCOME	\$ 33,345,915	\$ 35,204,957
INTEREST EXPENSE		
Dividends on Shares	\$ 7,859,780	\$ 9,681,250
Interest on Borrowed Money	860	2,097
TOTAL INTEREST EXPENSE	\$ 7,860,640	\$ 9,683,347
Provision for Loan Losses	1,874,676	1,789,089
NET INTEREST INCOME AFTER PROVISION	\$ 23,610,599	\$ 23,732,521
NON-INTEREST INCOME		
Fee Income	\$ 10,909,916	\$ 10,775,716
Other Operating Income	4,095,975	3,797,367
Gain (Loss) on Investments	-	(355,780)
Gain (Loss) on Disposition of Fixed Assets	(67,537)	17,131
Other Non-operating Income (Expense)	11,400	565,328
TOTAL NON-INTEREST INCOME	\$ 14,949,754	\$ 14,799,762
NON-INTEREST EXPENSE		
Total Employee Compensation and Benefits	\$ 14,571,691	\$ 14,141,434
Travel and Conference Expense	155,356	226,418
Office Occupancy Expense	1,631,404	1,615,676
Office Operations Expense	5,548,695	5,480,601
Educational and Promotional Expenses	856,351	819,877
Loan Servicing Expense	433,765	344,305
Professional and Outside Services	3,030,734	2,340,231
Member Insurance	147,958	138,497
Operating Fees	213,947	194,990
Miscellaneous Operating Expenses	158,063	130,606
TOTAL NON-INTEREST EXPENSE	\$ 26,747,964	\$ 25,432,635
NET INCOME before NCUSIF Stabilization Expense	\$ 11,812,389	\$ 13,099,648
NCUSIF STABILIZATION EXPENSE	(2,290,850)	(1,811,154)
NET INCOME after NCUSIF Stabilization Expense	\$ 9,521,539	\$ 11,288,494

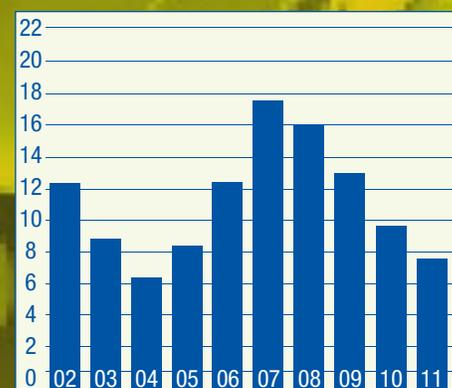
Income in millions



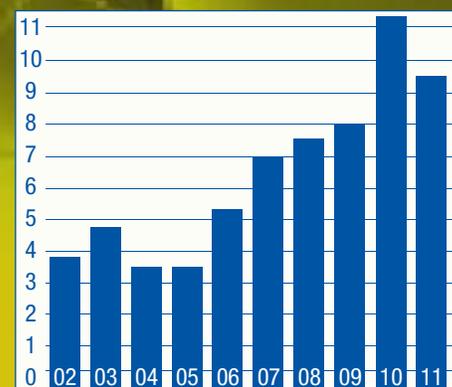
Expenses in millions



Dividends in millions

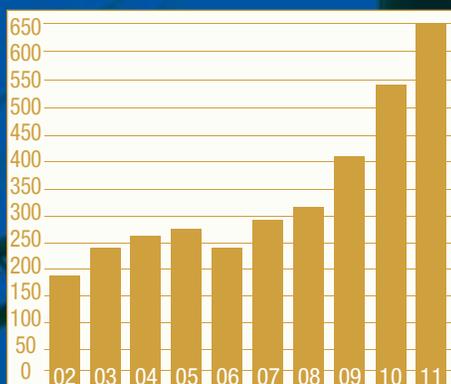


Net Income in millions

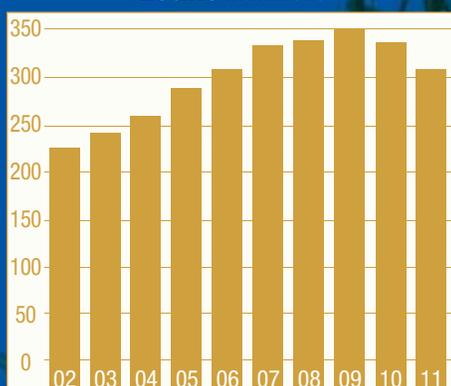


STATEMENT OF FINANCIAL CONDITION

Investments in millions



Loans in millions



Assets in millions



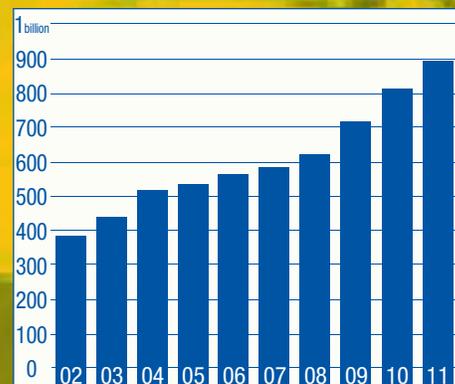
	December 31 2011	December 31 2010
ASSETS		
Cash and Cash Equivalents	\$ 16,615,703	\$ 14,575,268
Cash on Deposit	\$ 35,845,794	\$ 35,081,746
Available for Sale Securities	611,778,525	504,016,141
Membership Capital at Corporate Credit Unions	967,663	973,309
Paid in Capital at Corporate Credit Unions	43,241	43,241
All Other Investments	1,986,335	2,782,384
TOTAL INVESTMENTS	<u>\$ 650,621,558</u>	<u>\$ 542,896,821</u>
Loans Held for Sale	\$ 129,699	\$ 2,812,831
Unsecured Credit Card Loans	\$ 24,291,086	\$ 23,683,083
All Other Unsecured Loans/Lines of Credit	22,483,383	22,272,684
New Vehicle Loans	64,260,270	74,772,695
Used Vehicle Loans	88,999,546	95,752,393
Total 1st Mortgage Real Estate Loans/Lines of Credit	35,112,709	32,776,859
Total Other Real Estate Loans/Lines of Credit	41,900,683	49,114,275
Total All Other Loans/Lines of Credit	36,830,932	35,735,471
TOTAL LOANS	\$ 313,878,609	\$ 334,107,460
Less: Allowance for Loan Losses	(1,874,606)	(2,196,240)
NET LOANS	<u>\$ 312,004,003</u>	<u>\$ 331,911,220</u>
Foreclosed and Repossessed Assets	\$ 170,162	\$ 172,173
Land and Building	\$ 26,267,093	\$ 19,086,796
Other Fixed Assets	1,956,342	1,415,479
NCUA Share Insurance Capitalization Deposit	8,559,151	7,067,379
Other Assets		
Accrued Interest on Loans	845,567	990,822
Accrued Interest on Investments	1,889,108	1,748,502
All Other Assets	14,176,609	17,292,860
Total Fixed & Other Assets	<u>\$ 53,693,870</u>	<u>\$ 47,601,838</u>
TOTAL ASSETS	<u>\$ 1,033,234,995</u>	<u>\$ 939,970,151</u>

STATEMENT OF FINANCIAL CONDITION

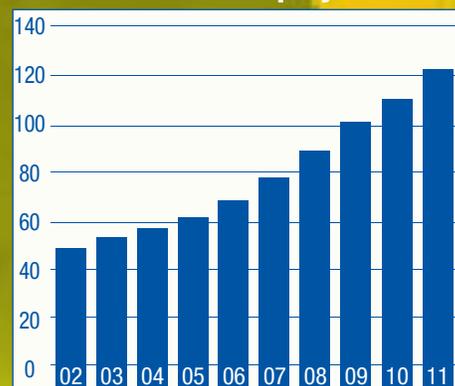
	December 31 2011	December 31 2010
LIABILITIES		
Accrued Dividends & Interest	\$ 70,722	\$ 223,213
Accounts Payable and Other Liabilities	13,356,625	10,543,647
TOTAL LIABILITIES	\$ 13,427,347	\$ 10,766,860
MEMBER SHARES/DEPOSITS		
Share Drafts	\$ 119,795,241	\$ 112,075,621
Regular Shares	166,459,460	157,602,049
Money Market Shares	261,056,762	193,273,419
Share Certificates	254,028,378	268,362,707
IRA/KEOGH Accounts	94,100,117	87,273,418
TOTAL MEMBER SHARES AND DEPOSITS	\$ 895,439,958	\$ 818,587,214
EQUITY		
Undivided Earnings	\$ 90,744,614	\$ 79,456,119
Regular Reserves	14,499,180	14,499,179
Accumulated Unrealized Gains (Losses) on AFS Securities	9,602,357	5,372,285
Net Income	9,521,539	11,288,494
TOTAL EQUITY	\$ 124,367,690	\$ 110,616,077
TOTAL LIABILITIES, SHARES AND EQUITY	\$ 1,033,234,995	\$ 939,970,151



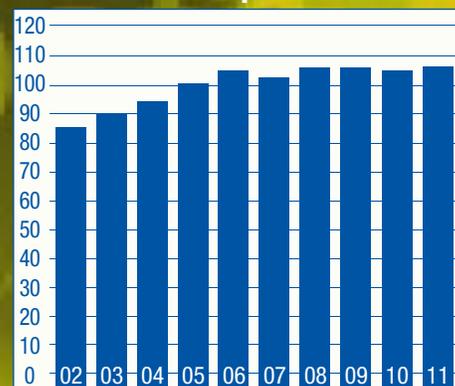
Shares in millions



Total Member's Equity in millions



Membership in thousands



AACFCU LOCATIONS



DALEVILLE



DeFUNIAK SPRINGS



DOTHAN - WEST



DOTHAN - NORTH



DOTHAN - SOUTH



ENTERPRISE - WEST



ENTERPRISE - EAST



FT. RUCKER

AACFCU LOCATIONS



MOBILE - AIRPORT BLVD.



MOBILE - BATES



MOBILE - WEST



MOBILE - BROOKLEY



MOBILE - DOWNTOWN



OZARK - NORTH



OZARK - SOUTH



SANTA ROSA BEACH



TROY

AACFCU LOCATIONS



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Federal Credit Union

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