

Building Lifetime Relationships

2015 Annual Report



EQUAL HOUSING
LENDER

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by NCUA

unitedsa
C R E D I T U N I O N

President & CEO's Report

I am pleased to report UNITED SA's progress for 2015. UNITED SA continues to be financially strong and committed to improving our members' financial well-being.

In terms of the Credit Union's financial performance and soundness, the Credit Union produced \$776,043 in Net Income in 2015. This reversed years of negative and low net income numbers. The high net income production allowed the Credit Union to again pursue the path of capital accumulation and increased financial strength. The year ended with a net worth ratio of 8.90%, increasing from 8.54%. Our capital levels remain in NCUA's "well-capitalized" range.

Loan volumes improved significantly in most areas, especially in mortgages, home equity and auto loans. The loan portfolio increased by approximately \$12.6 million, or 8.4% for the year, from \$150.6 million to \$163.2 million. The year-end loan delinquency rate stood at 0.85%, in line with our peer group average of 0.83%. Net Charge-Offs were approximately 0.36% in 2015, less than our peer group which approximated 0.42%. Overall, our membership continues to be creditworthy.

In 2015, UNITED SA's member deposits were \$204.4 million at the end of the year, up from \$195.5 million at the end of 2014. For the second year in a row, our net income stood at a positive \$776,043 with an ROA of 0.50%. This compares with net income of \$291,157 in 2014 and an ROA of 0.13%. We are continuing to develop new income streams, exercise tight expense controls and embody a member service spirit that results in increased referrals, foot traffic and sales opportunities in the branches. Net income made a remarkable turnaround in 2015.

2016 presents a wealth of opportunity. Building and improving the loan portfolio, increasing wallet share, transitioning from a contraction to an expansion mode, creating above-peer profits and building capital all remain key issues. Our primary focus, however, will be to continue to grow member relationships to generate the necessary revenues to support operating expenses.

We initiated several new products and services in 2015 to enhance membership benefits, including:

- * **New Check Vendor** - Our new vendor, Legacy, offers options such as providing your own check image on your check at a substantially reduced cost to members.
- * **Ultimate Checking** - This flagship account rolled out in April and includes features such as a generous Monthly Money feature that pays you 1/2% for your signature check card purchases, no monthly fee with direct deposit and an E-Statement, and an Occasional Overdraft Privilege Service (OOPS) up to \$700.
- * **Instant Issue Unique Check Cards** - Our Savings, Checking and HSAs now come with a free check card where you can choose the image and change it as often as you like.
- * **New Mobile App** - Our updated app for Apple® and Android™ now includes E-Bills online bill payment, U-Deposit remote deposit capture, U Manage It card fraud protection, and a convenient all-in-one directory of branches, shared branches, and surcharge-free ATMs using your device's GPS.
- * **In-House Credit Cards** - In August we converted our credit card portfolio to in-house management. We had some setbacks in the process we have worked diligently to address, but the additional flexibility members enjoy is an improvement to having the portfolio managed by a third party.
- * **E-Pay Changes** - In September we upgraded E-Pay to bring the majority of transactions into E-Teller and allow members the convenience of self-service in setting up their transactions. We also waived the majority of the fees for E-Pay transactions.

We are extremely excited about the coming year and are working on several new projects for 2016.

Effective April 2, our Call Center will be open on Saturdays from 8:30 am to 1:00 pm to provide expanded lending and member services. To increase our auto loan portfolio, we will continue to offer \$100 for auto recaptures, offer value-added products like Member Credit Protection and we will introduce a new Vanishing Interest Rate Auto Loan. To strengthen our credit card portfolio, we will continue to educate members on the flexibility of the card and also roll out the mobile payment options Apple Pay®, Android Pay™ and Samsung Pay®. We are also working to add EMV security chips and the option to instantly issue our credit cards in our branches. To improve our mortgage services, we will be contracting with a new third-party provider, we will bring origination in-house and we will institute escrow account management. We are also in the process of redirecting and focusing our Member Business Lending Department by pursuing business loans appropriate for an institution of our size. To assist our staff in increasing wallet share among members, we will build a sales culture throughout the organization. Part of this culture change will include implementing a Customer Relationship Management system to greatly improve our employees' ability to serve members. To increase convenience for members, we will institute a Concierge Service, which will raise public awareness of our brand, increase opportunities for our employees to build relationships and differentiate UNITED SA from other credit unions. Another initiative is to improve the mobility of our services including a complete retooling of our E-Teller online and mobile applications. We will also introduce new E-Teller lending apps to increase lending convenience. We will conduct cost-effective marketing campaigns that will build loyalty, such as our upcoming \$300 Mind Blowing product offering. To expand our footprint in the market, we will research our options relative to appropriate facilities purchases or merger opportunities. We will also make improvements to our facilities to improve your experience. Our goal is to make doing business with us as convenient as possible and we're excited to bring you these enhancements over the course of 2016.

Our mission is to improve the financial well-being of our members and the communities we serve. We are committed to providing you with a complete lineup of affordable products and services, while simultaneously maintaining our financial strength and soundness. On behalf of the Board, Supervisory Committee and staff, we are grateful for your membership. We look forward to serving you and your family.



Kyle Ashley, President & CEO

STATEMENT OF FINANCIAL CONDITION

ASSETS	2015	2014
Cash and Cash Equivalents	\$14,838,681	\$21,817,301
Investments	20,342,929	15,419,764
Loans to Members, Net	163,227,949	150,563,666
Accrued Interest Receivable	567,188	345,493
Property and Equipment	10,603,931	10,666,041
NCUSIF Deposit	1,874,772	1,902,524
Other Assets	<u>13,923,981</u>	<u>14,550,806</u>
Total Assets	\$225,379,431	\$215,265,596
LIABILITY AND MEMBERS' EQUITY		
Liabilities		
Member Shares	\$204,361,855	\$195,519,461
Accrued Expenses & Other Liabilities	<u>2,688,175</u>	<u>2,079,719</u>
	207,050,029	197,599,180
Members' Equity		
Reserves	\$5,282,372	\$5,282,372
Undivided Earnings	<u>13,047,030</u>	<u>12,384,043</u>
Net Reserves	<u>18,329,402</u>	<u>17,666,416</u>
Total Liability and Members' Equity	\$225,379,431	\$215,265,596

STATEMENT OF INCOME

INTEREST INCOME	2015	2014
Interest on Loans to Members	\$7,008,758	\$6,981,235
Investment Income	<u>438,623</u>	<u>219,947</u>
Total Interest Income	7,447,381	7,201,182
INTEREST EXPENSE		
Dividends on Members' Shares	\$834,883	\$830,161
Total Interest Expense	\$834,883	\$830,161
Net Interest Income	\$6,612,499	\$6,371,020
Provision for Loan Loss	<u>714,364</u>	<u>731,642</u>
Net Interest Income after Provision Expense	\$5,898,135	\$5,639,379
NON INTEREST INCOME		
Fees and Charges	\$1,354,320	\$1,423,276
Miscellaneous Income	1,468,601	928,772
Non Operating Income (Expense)	<u>(297,950)</u>	<u>323,004</u>
Total Non Interest Income	\$2,524,971	\$2,675,052
NON INTEREST EXPENSE		
Compensation & Benefits	\$3,557,926	\$3,580,339
Operations	<u>4,089,137</u>	<u>4,442,934</u>
Total Non Interest Expense	\$7,647,063	\$8,023,273
Net Income	\$776,043	\$291,157

Supervisory Committee Report

The Supervisory Committee is an oversight working group comprised of members who volunteer and are appointed by the Board of Directors. The committee's duties are to ensure the safety of the members' and Credit Union's assets, make sure that proper internal controls, policies and procedures are in place and that they are in agreement with generally accepted accounting principles. In 2015, Fisher, Herbst & Kemble, P.C. and the National Credit Union Administration performed comprehensive audits of the Credit Union. Based on the results, UNITED SA is in sound financial condition, proper policies and procedures are in place to maintain the integrity of the members' accounts and the Credit Union's assets are properly safeguarded.



Clark Crutchfield, Supervisory Committee Chairperson


Annual Membership Meeting
March 26, 2015

Bill Gregory, Chairperson of the Board, introduced himself and Kyle Ashley, President & CEO, and welcomed the members to the 60th UNITED SA Federal Credit Union Annual Membership Meeting. Bill briefly addressed the membership and then continued with the meeting.

Bill introduced the Board of Directors, Supervisory Committee Chairperson Clark Crutchfield, and Dan Stern, Parliamentarian to the attendees.

Bill recognized the guests by asking all attendees to stand. He asked those who had been members for at least ten years to continue to stand. He then counted up in increments of five years and went to 40 and there were still 2 members standing. These two members were 40 and 43 year members.

Bill turned the presentation over to Kyle Ashley to present the President's Report to the Membership.

Kyle started with stating while it was a challenging year, UNITED SA continues to be financially strong and committed to improving our members' financial well-being.

The credit union initiated several new products and services in 2014 to enhance the benefits of membership, including:

- * **New Website** – The site is now responsive and automatically adjusts the display depending on the device you use to view it.
- * **Loan Switch** – This new service allows members to easily send us an online request letting us know they are interested in refinancing one or all of their loans financed elsewhere with us.
- * **Blog** – Weekly posts provide educational content to help readers make better financial decisions, and complement our social media presence.
- * **Financial Calculators** – Twenty new responsive calculators are now available on our website with features including what-if scenario planning, printable reports, detailed graphs and the ability to toggle variables and observe their effects.
- * **Member Service Enhancements** – Our goal is to be a “one-stop shop” and take care of members in one visit. The staff is cross-trained to handle multiple functions and Lending Officers are now available at each branch to assist members in person.
- * **Revised Call Center Hours** – We slightly condensed our hours of operation to allow staff to efficiently handle calls at our busiest call times.
- * **Member Credit Protection (MCP)** – This new product combines GAP coverage and Payment Protection into one convenient, affordable package. MCP is administered in-house to reduce expenses and increase income streams for the credit union.
- * **Paperless Teller Transactions** – You no longer need to fill out a ticket in order to complete a teller transaction. You may verbally make your request, but if you prefer to complete a teller ticket, we will gladly accommodate that request.
- * **Reduction and Elimination of Fees** – We reviewed our fee structure and adjusted it to bring us in line with other institutions and eliminated several fees deemed to be excessive or unnecessary.
- * **CO-OP ATM Network** – You may now perform surcharge-free ATM transactions at almost 30,000 ATMs nationwide.

Kyle reported that in terms of the credit union's financial position and soundness, loan volumes improved in some areas, especially in mortgages and home equity loans, but auto and commercial loans were still slow. The loan portfolio declined by approximately \$10.9 million, or almost 6.7% for the year, from \$162.7 million to \$151.8 million. Our Indirect Auto Loan Portfolio consisted of over \$7.8 million of our decrease in total loans. The year-end loan delinquency rate stood at 0.24%, less than the 0.85% rate in 2013, and less than our peer group average of 0.95%. Net Charge-Offs were approximately 0.48% in 2014, slightly more than our peer group which approximated 0.45%. Overall, our membership continued to be creditworthy.

In 2014, UNITED SA's member deposits were \$195.5 million at the end of the year, down slightly from \$202.2 million at the end of 2013. For the first time since 2006, our net income stood at a positive \$291,157 with an ROA of 0.13%. This compares with a loss of \$1 million in 2013 and an ROA of -0.48%. The majority of this year's turnaround can be attributed to new income streams, tighter expense controls and a new member service spirit that has resulted in increased referrals, foot traffic and sales opportunities in the branches. Other key financial industry ratios remained fairly stable. The year ended with a net worth ratio of 8.75%, and our capital levels remained in the NCUA's “well-capitalized” range.

The year 2015 again presents many challenges. Increased revenue generation, loan growth and operating expense controls will remain key issues as we strive to provide a full array of products and services. Our primary focus will continue to be growing and expanding member relationships to generate the revenues needed to support operating expenses.

We are working on several new projects for 2015, primarily a new flagship checking account – Ultimate Checking. This account will offer instant issue check cards where you can choose the image, and a generous “Monthly Money” feature, which will pay an unlimited ½% of net retail “swipe and sign” transactions. A new and improved mobile app is also in the works that will add E-Bills online bill payment and U-Deposit within the app, eliminating the need for a third-party app to make remote deposits. In addition, we are working to manage our credit cards internally, so you will be able to conveniently manage your credit card account without leaving E-Teller. Another project slated for this year is adding a chip as an extra layer of security for your check card and credit cards. Last month we also changed our primary check vendor to offer options such as providing your own check image at substantially reduced costs. We’re excited to bring these enhancements to make doing business with us as convenient as possible.

Our commitment to providing you with a wide array of products and services at affordable rates and fees, while maintaining our financial strength and soundness is the motivation for everything we do. On behalf of the Board, Supervisory Committee and staff, we sincerely appreciate your membership and look forward to serving you in 2015 and beyond.

Kyle Ashley then turned the floor back over to, Bill Gregory. Bill called the attendees’ attention to the Supervisory Committee Report, under the Financial Statements in the Annual Report. Bill added that United SA Federal Credit Union is in good shape and has nothing further to add to the report. He asked for a motion to approve the Supervisory Committee Report for 2014. Don Mann made the motion; Richard Baggs seconded and the motion was approved.

Bill then continued to the Board nominations. This year we have five vacancies. The Board was pleased to submit Don Mann (re-election), Richard Baggs (re-election), and Bill Gregory (re-election) as nominees for three-year terms on the UNITED SA Board of Directors. The Board was also pleased to submit Clark Crutchfield and James Wheeler (both completing unexpired term of previous Board members) for two-year terms on the UNITED SA Board of Directors.

Bill Gregory then asked if there were any nominations from the floor. There were none. Rosaura Ramirez made a motion to approve the five candidates listed; Clark Crutchfield seconded and the motion carried.

Bill congratulated all on their election to the Board of Directors for United SA.

Bill asked if there were any questions before he turned the floor over to Kyle Ashley, President & CEO of the credit union. Kyle reported that since 2007, we have awarded college scholarships to four graduating high school seniors. This year we will be presenting the checks at the Annual Meeting. He stated that to be eligible, candidates must be a member or related to a member in good standing; graduating from high school in 2015; and in the top 25% of their class. This year, our scholarship committee received 53 applications – so the competition was tough! Kyle then began with the scholarship winner announcements. He is pleased to announce this year’s winners of the UNITED SA Scholarship:

- Kevin Choy
- Haley Hargroder (present)
- Samantha Van Koughnet
- Matthew Wong (present)

He then introduced each winner individually and awarded them with a check for \$1,000 each. Kyle concluded this portion by asking for a round of applause for these students.

Kyle thanked everyone for attending and then began drawing for the Door Prizes:

\$100:	Ramona Jureski
\$100:	Norma Esparza
\$100:	Alicia Estrada
\$100:	Carol Spencer
\$500:	Roy Perales

The 60th Annual Membership Meeting concluded at 6:15 P.M.

Leadership Team

Board of Directors:

Bill Gregory, Chairperson (2018)
Rick Tobias, Vice Chairperson (2016)
Don Mann, Treasurer (2018)
Richard Baggs, Secretary (2018)
Clark Crutchfield (2017)
Pete Hugdahl (2017)
Rosaura Ramirez (2016)
John Rees (2016)
James Wheeler (2017)

(Year refers to term expiration)

Supervisory Committee:

Clark Crutchfield, Chairperson
Jeannie Scott, Ph.D.

Senior Management:

Kyle Ashley, President & CEO
Bill McFeeters, Chief Financial Officer
James Baumann, Chief Sales Officer
Tammie Johnson, Chief Administration Officer
Debra Bradberry, VP - Member Service
Rosanne Hernandez, VP - Operations
Joann Quiñones, VP - Member Business Lending
Pati Rhodes, VP - Consumer Lending & Compliance
Mario Saldivar, VP - Information Technology

Locations

Headquarters

5500 UTSA Boulevard
San Antonio, TX 78249-1622

Medical

7318 Louis Pasteur
San Antonio, TX 78229-4505

Thousand Oaks

2800 Thousand Oaks
San Antonio, TX 78232-4108

1604/Braun

9910 West Loop 1604 North, Suite 129
San Antonio, TX 78254-5610

Boerne

1440 South Main
Boerne, TX 78006-3304