



ANNUAL REPORT 2012





Note from the Chairman

What comes to mind when you hear the term “evolution”? I tend to think of a very slow, gradual process, one in which change is measured in fractions of a degree year by year. This holds true even in the business world. Organizations evolve to meet the challenges posed by changes in their operating environments; changes such as economic fluctuations, regulations, new demand patterns, technological innovations and shifting consumer demographics. Historically, organizational evolution, like its biological counterpart, occurs slowly, in part because embracing change is difficult. That’s my view, or at least it was, until last year. And then something happened.

USAlliance evolved, but it wasn’t slow or gradual. It was a deliberate, concerted effort to move the Credit Union forward and put us on track to become one of the leading institutions in our industry. What spurred it? The answer is simple. Our world is changing. Regulation, innovation and rapid change is becoming the norm. The increasingly swift adoption of online and mobile services is driving demand for real-time solutions higher and higher. Consumers began to reconsider the prospect of borrowing, bringing along a new appreciation for the alternatives offered by credit unions. Why the need to change so quickly? Organizations that are reluctant to accept change, who maintain a “just the way we are” operating philosophy, will surely not thrive and perhaps not even survive as the financial services industry changes. We recognized that change is essential to becoming the type of institution that our members need and want. To honor our commitment to exceeding members’ expectations, we had to kick-start our own evolution.

We did, and did so very successfully. Members like what they’re finding—the new technologies, time-saving services and even our more proactive approach to the marketplace —what our President/CEO, Kris VanBeek calls “shiny pennies.”

Although we are changing, two factors have and will remain untouched - our unfaltering commitment to provide exceptional member service and an outstanding staff that delivers on that commitment each and every day.

Thank you for your continued support of USAlliance.

George L. Barto
Chairman





Note from the President

An American icon is facing extinction. No, it's not the eagle (Off the endangered list since '07). Not the Twinkie either (Got a last minute reprieve). Give up? It's the penny. There's a movement underway to eliminate it from circulation. "Obsolete," they call it; a monetary dinosaur. And yet, the penny continues to hang in there. Maybe it's the shine of a brand new penny or the promise of good luck when you find one. Do you still have a penny jar? In they go until the day you crack open that jar and find that while a single penny may hold little or no significance, many pennies together add up to something substantial.

If you're wondering why I'm going on about this, it's because of a philosophy that began to gel at USAlliance in 2012. We call it the "Shiny Penny Concept." Basically, it means that everything (and I do mean everything) we do will revolve around providing extraordinary member value and service—our "shiny pennies." Some will be real sparklers, things so new and different that you can't help but notice them. Others will be more subtle; maybe they don't initially catch your eye. But when they do, you'll be happy to find them. What did we add to the 2012 "penny jar"? Two things immediately come to my mind—our new website and online account opening system. We completely revamped our website, transforming it into a valuable information center with current promotions right up front. You can seize those opportunities instantly through our new online account opening system. Speaking of immediate access, managing your USAlliance accounts became a 24/7 reality with the introduction of our Mobile Banking, Text Banking and Remote Check Deposit applications. Internet Banking underwent a much needed makeover, getting a more contemporary look and improved navigation. The end result is a more member-friendly online banking experience. We expanded the makeover effort to include our print and electronic statements, evolving both formats from static reports to progressive formats. Do you have direct deposit with USAlliance? If you do, pay day often comes 2 days earlier as funds are posted immediately upon receipt. Notice a common thread running through most of these? They harness the power of technology to add value to the member experience. You'll see more of that coming in 2013—lots more.

But the shiniest penny we added is the one that's probably the hardest to find. It's growth. Last year, we added over 6,000 new members through organic efforts alone. Two key strategic mergers doubled that number and added 6 new branches, including one in New York City (our second publicly accessible branch there). Where's the value come in? It comes from the opportunities that growth affords—more resources; increased breadth and depth of our product line and greater flexibility to implement new technologies. Each of these in turn contributes to the continual evolution of USAlliance into an institution that doesn't follow the trends; it sets them.

What do you think? Give us your two cents. We're now on Facebook. Let's get a conversation going. Tell us what "shiny pennies" you'd like to find. The way I see it, the jar's not full. There's still room for more.



Kris P. VanBeek
President/CEO

Report of the Supervisory Committee

The Supervisory Committee is an independent body, appointed by the Board of Directors, which has the responsibility to ensure that the financial statements accurately and fairly present the financial condition of the Credit Union and that management practices and procedures safeguard the members' assets.

To accomplish our goals, the Committee engages both internal auditors and an independent public accounting firm to audit management practices and procedures to ensure that they are sufficient to safeguard members' assets and to audit the consolidated financial statements. Internal audit findings, recommendations and management responses are reviewed by the Supervisory Committee and presented to the Board of Directors. To ensure the consolidated financial statements fairly represented the Credit Union's financial position, the Supervisory Committee retained the services of the certified public accounting firm of Orth, Chakler, Murnane & Company, CPAs to perform an audit in accordance with Generally Accepted Accounting Principles and to express an opinion on the fairness of the consolidated financial statements. Their audit report, which contained an unqualified opinion dated March 18, 2013, confirmed the Credit Union's consolidated financial statements for 2012 were materially correct and presented in conformity with Generally Accepted Accounting Principles.

For a complete copy of the independent audit report performed by Orth, Chakler, Murnane & Company, CPAs, please call the Credit Union at 800.431.2754 or email your request to emailbox@USAlliance.org.



Scott J. Forbes
Chairman
Supervisory Committee



Volunteers*

Board of Directors

Chairman

George L. Barto

Vice Chairman

Peter H. Staley

Secretary

Judith A. Brandt

Treasurer

William H. Lusk

Directors

Ellen Dulberger

Paul Gravenese

Carla M. Palma

Ferdinand S. Spucci

Alan L. Stuart

Associate Directors

Timothy J. Sugrue

Directors Emeritus

James R. Collins

Thomas F. McCormick

John Murphy

Supervisory Committee

Chairman

Scott J. Forbes

Secretary

Allan Bednowitz

Members

Paul Gravenese

Peter Kadra

Timothy J. Sugrue



*As of May 15, 2013



Statement of Financial Condition

ASSETS

	As of December 31,	
	2012	2011
Cash	\$110,941,587	\$112,477,515
Investments:		
Available-for-sale	74,390,041	83,710,725
Other	12,181,391	11,292,826
Loans to members, net allowance for loan losses	582,374,839	533,817,462
Accrued interest receivable:		
Investments	332,014	399,452
Loans	2,179,992	2,080,350
Prepaid and other assets	6,052,210	1,906,395
Property and equipment	7,629,034	6,249,452
NCUSIF deposit	7,057,148	6,505,206
Total assets	\$803,138,256	\$758,439,383

LIABILITIES AND MEMBERS' EQUITY

	As of December 31,	
	2012	2011
LIABILITIES:		
Members' share and savings accounts	\$737,753,424	\$696,157,817
Accounts payable and other liabilities	8,300,981	7,540,889
Total liabilities	746,054,405	703,698,706
Commitments and contingent liabilities		
MEMBERS' EQUITY:		
Regular reserve	17,582,100	17,582,100
Undivided earnings	45,203,709	42,612,588
Accumulated other comprehensive loss	(5,701,958)	(5,454,011)
Total retained earnings	57,083,851	54,740,677
Total liabilities and retained earnings	\$803,138,256	\$758,439,383



Statement of Income

	For the years ended	
	December 31,	
	2012	2011
INTEREST INCOME:		
Loans to members	\$28,706,333	\$28,532,452
Investments	1,789,074	1,511,931
Total interest income	30,495,407	30,044,383
INTEREST EXPENSE:		
Members' share and savings accounts	4,901,726	6,582,493
Net interest income	25,593,681	23,461,890
PROVISION FOR LOAN LOSSES		
Net interest income after provision for loan losses	21,268,681	19,916,890
NON-INTEREST INCOME:		
Fees and service charges	4,697,974	3,993,373
Gain on sale of loans	1,325,724	—
Total non-interest income	6,023,698	3,993,373
Net income before non-interest expense	27,292,379	23,910,263
NON-INTEREST EXPENSE:		
Compensation and employee benefits	13,596,653	11,362,323
Office operating costs	5,092,185	4,018,121
Office occupancy expenses	2,626,745	2,093,798
Loan expenses	1,780,403	585,500
Other expenses	1,726,245	1,652,865
Corporate credit union stabilization fund assessments	669,432	1,626,304
Loss on sale of loans	—	759,818
Total non-interest expense	25,491,663	22,098,729
Net income	<u>\$1,800,716</u>	<u>\$1,811,534</u>

Executive Management Team

Kris P. VanBeek
President/CEO

James B. White
CFO/Senior Vice President

Chris J. Lazowy
Senior Vice President
Sales & Member Services

Denise M. Enlund
Vice President
*Compliance & Risk
Management*

Kevin A. Randall
Vice President
Electronic Systems

Felicia A. Hudson
Assistant Vice President
*EFT /Card Services, ATMs &
Imaging*

Darryl R. Jacobs
Assistant Vice President
Consumer Loans

Joann D. Kay
Assistant Vice President
Marketing

Susan T. Lowell
Assistant Vice President
Real Estate Services

Marion T. Murphy
Assistant Vice President
*Staffing, Employee Relations &
Training*

Allan P. Rentz
Assistant Vice President
Business Development

Shireen Shen
Assistant Vice President
Information Technology

Raksha Shirali
Assistant Vice President
Human Resources





Branch Locations

New York

600 Midland Avenue
Rye, NY

219A E. Hartsdale Avenue
Hartsdale, NY

The Landmark at Eastview
777 Old Saw Mill River Road
Tarrytown, NY

303 S. Broadway, Suite 126
Tarrytown, NY

710 Berne Road
Napanoch, NY

25 Sullivan Avenue
Liberty/Ferndale, NY

390 State Route 52
Woodbourne, NY

49 Sanatorium Road
Otisville, NY

1296 Route 208
Wallkill, NY

New York City

350 West 31st Street
New York, NY

AMEX*
200 Vesey Street, 3rd Floor
New York, NY

El Barrio
156 East 117th Street
New York, NY

New Jersey

ISO*
545 Washington Boulevard, 21st Floor
Jersey City, NJ

Massachusetts

1960 Massachusetts Avenue
Cambridge, MA

Liberty Tree Mall
100 Independence Way
Danvers, MA

1032 Eastern Avenue (Route 60)
Malden, MA

71 Station Landing
Medford, MA



* Restricted Access Branches

