unitedsa
CREDIT UNION

2016
Annual Report

Membership Means More

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Our Mission

The mission of United San Antonio Community Federal Credit Union is to improve the financial well-being of our members and the communities we serve.

Agenda

I. Registration
II. Call to Order
III. Ascertainment of a Quorum
IV. Minutes from the 2016 Annual Meeting
V. Supervisory Committee Report
VI. President's Report
VII. Board Member Election
VIII. New Business
IX. Adjournment

Board Chairperson's Report

Welcome to the 62nd Annual Membership Meeting of UNITED SA Credit Union. I'm Bill Gregory, and I have served as your Chairperson for three years.

The Board of Directors who serve UNITED SA Credit Union is unlike those who serve on boards of commercial banks. Credit Union Board members serve as unpaid volunteers who generously donate their time to ensure that the Credit Union remains an important financial alternative for people who live, work, worship, attend school in, and businesses located in Bexar, Kendall and the portion of Comal County west of U.S. Highway 281.

The nine-member Board that serves UNITED SA Credit Union is charged with setting policies and directing the organization in the best interest of the members. They each serve three-year elected terms and do not receive monetary compensation for their efforts. Their commitment to the credit union philosophy of "People Helping People" drives their service to the membership.

At the end of 2016, Rosaura Ramirez resigned from the Board. She faithfully served and brought a wealth of knowledge with her to the Board. Her service and dedication to the Credit Union will surely be missed.

As volunteer directors, the Board is committed to the success of the Credit Union and its members. Our mission is to improve the financial well-being of our members and the communities we serve. To accomplish our goals, your support is crucial. I am proud to serve as your Chairperson and I sincerely thank you for your support.

Bill Gregory
Board Chairperson

Your 2016 Board Members

Rick Tobias
1st Vice Chairperson

Don Mann
Treasurer

Richard Baggs
Secretary

Clark Crutchfield

Peter Hugdahl

Rosaura Ramirez

John Rees

James Wheeler

Supervisory Committee Report

The Supervisory Committee is appointed by the Board of Directors to protect and safeguard member assets. The committee ensures that records are maintained properly and accurately and that policies are carried out faithfully. Like Board members, Supervisory Committee members serve on a volunteer basis and donate their time to further the best interests of the Credit Union.

The Supervisory Committee is primarily responsible for overseeing the overall safety and soundness of UNITED SA Credit Union, as well as the Credit Union's adherence to operating policies and procedures. Each year, we reaffirm our commitment to ensuring that your Credit Union is financially stable and maintains the highest member service standards possible.

The Supervisory Committee annually ensures that a number of on-site audits of various Credit Union operations are completed. In 2016, Fisher, Herbst and Kimble, LLP Certified Public Accountants, the National Credit Union Administration, the Texas Credit Union Department and American Share Insurance performed comprehensive audits of the Credit Union. The results concluded that in all material respects, the financial condition, operations and cash flows of the Credit Union conform to generally accepted accounting principles.

As a result of these combined efforts, I am proud to report that UNITED SA Credit Union and its assets remain financially sound and secure. The Supervisory Committee will continue to strive to meet the expectations of the membership and Board of Directors. It is my honor to serve the membership as we continue to build a strong Credit Union. Thank you for your support and confidence.

Clark Crutchfield
Supervisory Committee Chairperson

Supervisory Committee Members

Richard M. Adams

Jeannie Scott, Ph.D.

President's Report

At UNITED SA Credit Union, you are not a customer building profits for stockholders. You are a valued member, supporting yourself and other members with each product or service you use to enhance your life. We are committed to building relationships and being the primary source for you to make smart money decisions. As a financial cooperative that you own, we are connected to you and your success.

Financial Performance

Financial success means a better life for you, your family, your fellow members and the community. That fact, along with our belief that anyone can succeed financially, motivates us to provide the best possible financial products and services. You are doing business with an organization that is truly partnering with you to improve your financial well-being. Financial performance improved again in 2016. Through the implementation of a number of initiatives, the Credit Union was able to continue gaining positive traction toward strong financial growth.

Assets

UNITED SA grew in assets again last year. In 2016, assets grew over $12.2 million, from $225.3 million to $237.5 million. This equates to an annual growth rate of 5.4%. The principal driver behind the Credit Union's asset growth is member savings inflows, principally in savings and checking accounts. In order to not dilute the capital base of the institution, management strives to achieve moderate and balanced asset growth.

Loans

The Credit Union holds two principal assets, loans and investments. Of those assets, loans historically produce a much greater yield. Currently, Loan Yield is 4.25% whereas Investment Yield is 1.02%, so it is very important to grow loans and invest in our membership. In 2016, Net Loans were less than the 2015 total by only $366,160. As a percent from 2015, loans decreased slightly by 0.2%. Our lending processes will continue to focus on member service and increasing efficiency. By empowering our staff and encouraging our members to provide grassroots marketing, loans have become the principal financial service provided for our members. As a result, we project loan growth to increase next year and beyond, thanks to competitive pricing and outstanding member service.

Earnings

Management strives to produce enough income to pay fair and competitive dividends while growing a strong capital base to build a solid Credit Union. 2014 marked the year when UNITED SA began its resurgence by producing Net Income of $291,157. In 2015, Net Income increased compared to the prior year to $776,043. For 2016, Net Income more than doubled again to $1,456,488, which is the highest amount produced since 2005. This dollar amount of Net Income equates to a Return on Assets of 0.59%. Return on Assets (ROA) is the ratio that compares Net Income relative to Average Assets. It measures how well the organization is utilizing all of the Credit Union's assets to generate revenue. Management is pleased to report that ROA is again taking an upward trajectory. With an intense focus on building the strength of the Credit Union by serving our members' needs, the organization has again positioned itself to produce outstanding ROA in the coming years.

Equity

Equity serves as a cushion to fluctuations in earnings. Equity supports growth and provides protection against insolvency. In 2016, Total Equity was $20.7 million and stands at 8.75% as a percentage of assets.

Member Savings

In the low rate environment, total member shares grew by over $12 million to $216.5 million. While management strives to pay the highest dividends possible, it's imperative for the Credit Union to achieve stable, moderate share growth in order to not dilute the institution's capitalization. This requires us to stay very close to market rates. While the Federal Reserve raised rates for the first time in many years, we predict market interest rates will stay relatively low for the foreseeable future.

The financial performance of the Credit Union greatly improved in 2016, with just about every financial indicator making progress. By staying true to our purpose and providing exceptional member service, our financial condition will continue to flourish.

PRODUCTS AND SERVICES

CRM: To assist our staff in increasing share of wallet among members, we implemented a Customer Relationship Management System in 2016 after many months of effort to prepare the system for release and our staff for the procedural changes. The system greatly enhances our employees' efficiency in serving members.

ClickSwitch™: This service makes it easier for members to switch their checking account from another institution to UNITED SA by transferring direct deposits, switching automatic payments and closing old accounts for you.

Expanded Call Center Hours: In April, we expanded our Call Center hours to include Saturdays from 8:30 a.m. to 1 p.m. to provide lending and member services.

E-Teller Loan Apps: In May, we improved both our loan application and processing efficiency by having the majority of the applications route through E-Teller. The applications are mobile responsive, which allows members to easily submit an application, regardless of the device used.

Improved E-Alerts: To assist members in identifying transactions, E-Alerts were enhanced to include the transaction type, account type, account name and exact amount of your transactions.

Chip Cards: This enhanced security feature is now available on all UNITED SA card types. We have elected to replace your cards via a natural reissue, or as cards expire. However, we will provide chip cards to members upon request at no charge.

New E-Teller/Mobile App: In August, E-Teller and UNITED SA Mobile were upgraded and now offer several enhancements to improve the member experience, such as responsive design, access to U Manage It card fraud protection and the ability to complete a loan application using a mobile device.

Escrow Account Management: We offer this service to make it easier for members who have a mortgage or home equity loan with us to manage the responsibility of paying taxes and insurance on these loans.

Apple Pay®: This convenient and secure service allows members with any UNITED SA card and a compatible Apple® device to make purchases in apps, check out in stores and donate to select non-profit organizations with the simple touch of a finger.

Ampre Check Card Rewards: This program allows members with a UNITED SA Check Card to earn cash back from popular national brands, plus regional and local retailers, too. The funds are automatically deposited into the account associated with the card.

Credit Card Annual Summary: To assist you in tracking credit card spending, we now offer an Annual Summary of charges on your UNITED SA Mastercard® credit card categorized by spending category.

2016 was a year of many changes with the Credit Union, and we strive to make every change a positive experience for our members. The financial services environment is always dynamic and fluid, and UNITED SA will stay on the cutting edge of the industry. As we keep our eyes on the horizon, UNITED SA will remain as committed as ever to ensuring the success of our members by offering affordable and convenient financial products and services. On behalf of the Board, Supervisory Committee and staff, we are sincerely appreciative of your membership. We look forward to serving you and your family now and in the future.

Respectfully,
Kyle D. Ashley
President & CEO

Staff

HEADQUARTERS LOCATION

5500 UTSA Boulevard
San Antonio, TX 78249

Kyle Ashley
President & CEO

Elizabeth Ramirez
Administrative Assistant

Bill McFeeters
Chief Financial Officer

Melissa Petoskey
Accounting Manager

Tanner Ashley
Financial Analyst

Melodie Flores
EFT Coordinator

Elizabeth Hernandez
Accountant

Georgianna Vasquez
Accountant

James Baumann
Chief Loan Officer

Pati Rhodes
VP Consumer Lending & Compliance

Maria Beckwith
Financial Services Officer

Jesus Castillo
Financial Services Officer

Jason Guerra
Financial Services Officer

Jorge Rocha
Financial Services Officer

Sylvia Santos
Financial Services Officer

Joann Guzman
Lending Support Specialist

Raul Meza
Lending Quality Control Auditor

Diana Phipps
Title/Insurance Coordinator

Deborah Gutierrez
AVP Member Solutions

Jackie Galindo
Member Solutions Representative

David Gray
VP Member Business Lending

Denise Swinson
Member Business Development Officer

Tammie Johnson
Chief Operations Officer

Carol Smith
AVP Operations

Ashley Hernandez
Senior Teller

Angela Hodo
Senior Teller

Andrea Li
Part-Time Operations Floater

Virginia Munoz
Operations Floater

Ivan Romero
Part-Time Operations Floater

Abraham Rosales
Teller

Genie Stroud
Receptionist

Amanda Valdez
Part-Time Teller

Jess Serna
Call Center Supervisor

Abby Montalvo
Senior Call Center Representative

Noemi Aguilar
Call Center Representative

Andre Cave
Call Center Representative

Sandra Hurst
Call Center Representative

Laura Luna
Fraud Claim Processor

Maria Perez
Plastic Card Specialist

Debra Bradberry
VP Project Specialist

Rosanne Hernandez
VP Member Experience

Mario Saldivar
VP Information Technology

Mark Alejandro
IT Network Administrator

Michael Martinez
IT Systems Analyst

Karla Sarran
Marketing Director

BRANCH STAFF

Medical Center Branch

7318 Louis Pasteur
San Antonio, TX 78229

Gordon Chin
Branch Manager

Alicia Seaman
Operations Supervisor

Beverley Vidaurri
Financial Services Officer

Theadora Avila
Senior Teller

John Rodriguez
Teller

1604/Braun Branch

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

Adolfo Martinez
Branch Manager

Marcy Trevino
Operations Supervisor

Crystal De La Cruz
Financial Services Officer

Kathleen Harrington
Senior Teller

Thousand Oaks Branch

2800 Thousand Oaks
San Antonio, TX 78232

Ricardo Guzman
Branch Manager

Robert Watkins
Operations Supervisor

Alex Navarro
Senior Teller

Maria Guzman
Teller

Beatrice Leos
Part-Time Teller

Boerne Branch

1440 South Main
Boerne, TX 78006

Kris Boiles
Branch Manager

Cassandra Moreau
Financial Services Officer

Linda Hare
Senior Teller

Christopher Robertson
Teller

Statement of Financial Condition

ASSETS	*2016*	*2015*
Cash and Cash Equivalents	$25,058,607	$14,838,681
Investments	23,723,357	20,342,929
Loans to Members, Net	162,861,789	163,227,949
Accrued Interest Receivable	561,009	567,188
Property and Equipment	9,844,253	10,603,931
NCUSIF Deposit	2,125,862	1,874,772
Other Assets	13,359,560	13,923,981
Total Assets	**$237,534,436**	**$225,379,431**

LIABILITY AND MEMBERS' EQUITY		
Liabilities		
Member Shares	$216,531,612	$204,361,855
Accrued Expenses & Other Liabilities	2,529,229	2,688,175
	219,060,841	207,050,029
Members' Equity		
Reserves	$5,282,372	$5,282,372
Undivided Earnings	13,191,223	13,047,030
Net Reserves	18,473,595	18,329,402
Total Liability and Members' Equity	**$237,534,436**	**$225,379,431**

Statement of Income

INTEREST INCOME	*2016*	*2015*
Interest on Loans to Members	$7,019,928	$7,008,758
Investment Income	462,740	438,623
Total Interest Income	7,482,667	7,447,381
INTEREST EXPENSE		
Dividends on Members' Shares	$994,861	$834,883
Total Interest Expense	$994,861	$834,883
Net Interest Income	$6,487,806	$6,612,499
Provision for Loan Loss	268,620	714,364
Net Interest Income after Provision Expense	$6,219,187	$5,898,135
NON-INTEREST INCOME		
Fees and Charges	$1,423,405	$1,354,320
Miscellaneous Income	1,471,905	1,468,601
Non-Operating Income (Expense)	91,810	(297,950)
Total Non-Interest Income	$2,987,120	$2,524,971
NON-INTEREST EXPENSE		
Compensation & Benefits	$3,555,790	$3,557,926
Operations	4,194,028	4,089,137
Total Non-Interest Expense	$7,749,818	$7,647,063
Net Income	**$1,456,488**	**$776,043**

2016 Annual Meeting Minutes

Bill Gregory, Chairperson of the Board, introduced himself and Kyle Ashley, President & CEO, and welcomed members to the 61st UNITED SA Federal Credit Union Annual Membership Meeting.

Bill briefly addressed the membership and then continued with the meeting by introducing the Board of Directors; Clark Crutchfield, Supervisory Committee Chairperso; and Dan Stern, Parliamentarian.

Bill then 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, and then counted up in increments of five up to 50 years.

Bill turned the presentation over to Kyle Ashley to present the President's Report. Kyle presented the Ambassador of the Year Award to Kris Boiles, Boerne Branch Manager, for his hard work.

Kyle stated that he was 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.

The Credit Union initiated several new products and services in 2015, including:

- New Check Vendor
- Ultimate Checking
- Instant Issue Unique Check Cards
- New Mobile App
- In-House Credit Cards
- E-Pay Changes

Kyle reported that the Credit Union produced $776,043 in Net Income in 2015. The high net income production allowed the Credit Union to pursue a path of capital accumulation and increased financial strength. The year ended with a Net Worth Ratio of 8.90%, increasing from 8.54%.

Loan volumes improved in most areas, especially in mortgages, home equity and auto loans. The loan portfolio increased by $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 0.36% in 2015, less than our peer group which approximated 0.42%.

Member deposits were $204.4 million at the end of 2015, up from $195.5 million at the end of 2014. 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.

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 revenue to support operating expenses.

We are excited about the coming year and are working on new projects for 2016:

- Expanding Call Center Hours
- Apple Pay, Android Pay and Samsung Pay
- EMV Chips for Cards
- Instant Issue Credit Cards
- New Mortgage Provider
- In-House Mortgage Origination
- Escrow Account Management
- Redirecting Member Business Lending
- Implementing a Sales Culture
- Customer Relationship Management System
- Concierge Service
- New E-Teller Online/Mobile
- E-Teller Lending Applications
- Cost-Effective Marketing Campaigns
- Exploring New Facilities and Merger Opportunities
- Facilities Improvements

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 maintaining our financial strength and soundness. We are grateful for your membership and look forward to serving you and your family.

Kyle Ashley turned the floor over to Bill Gregory. Bill called the attendees' attention to the Supervisory Committee Report. He asked for a motion to approve the report. Don Mann made the motion; Pete Hugdahl seconded and the motion was approved.

Bill then continued to the Board nominations. The Board was pleased to submit Rick Tobias, Rosaura Ramirez, and John Rees (all for re-election) as nominees for three-year terms on the Board of Directors.

Bill Gregory asked if there were any nominations from the floor. There were none, and a motion was made by Rosaura Ramirez to approve the three candidates listed; Rick Tobias seconded and the motion carried.

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

Bill asked if there were any questions before he turned the floor over to Kyle Ashley, President & CEO of the Credit Union.

Kyle thanked everyone for attending and then began the drawings for the Door Prizes which consisted of 20 $100 cash prizes.

The 61st Annual Membership Meeting concluded at 7:59 p.m.

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San Antonio, TX 78249

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EQUAL HOUSING LENDER