

A New Direction

2014 Annual Report



Federally insured
by NCUA

President & CEO's Report

I am pleased to report UNITED SA's progress for 2014. 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 service allows you to easily send us an online request letting us know you are interested in refinancing one or all of your loans financed elsewhere with us.
- * **Blog** - Weekly posts provide content to help readers make better financial decisions, and complement our social media presence.
- * **Financial Calculators** - Twenty new responsive calculators are 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 you in one visit. The staff is cross-trained to handle multiple functions and Lending Officers are now available at each branch to assist you in person.
- * **Revised Call Center Hours** - We slightly condensed 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.

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 at 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 0.5% 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 towards managing our credit cards internally, so you will be able to conveniently access 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 cards and credit cards. Last month we also changed our official check vendor to offer options such as providing your own check image at substantially reduced costs. We're excited to bring you these enhancements to make doing business with us as convenient as possible.

Our commitment to providing you with a wide array of products and service 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, President & CEO

STATEMENT OF FINANCIAL CONDITION

ASSETS	2014	2013
Cash and Cash Equivalents	\$21,817,301	\$28,264,528
Investments	15,419,764	3,915,842
Loans to Members, Net	150,563,666	161,445,560
Accrued Interest Receivable	345,493	358,647
Property and Equipment	10,666,041	10,931,469
NCUSIF Deposit	1,902,524	2,054,458
Other Assets	14,550,806	14,112,345
Total Assets	\$215,265,596	\$221,082,848
LIABILITY AND MEMBERS' EQUITY		
Liabilities		
Member Shares	\$195,519,461	\$202,247,519
Accrued Expenses & Other Liabilities	<u>2,079,719</u>	<u>1,444,666</u>
	197,599,180	203,692,185
Members' Equity		
Reserves	\$5,282,372	\$5,282,372
Undivided Earnings	<u>12,384,043</u>	<u>12,108,291</u>
Net Reserves	<u>17,666,416</u>	<u>17,390,663</u>
Total Liability and Members' Equity	\$215,265,596	\$221,082,848

STATEMENT OF INCOME

	2014	2013
INTEREST INCOME		
Interest on Loans to Members	\$6,981,235	\$8,009,610
Investment Income	<u>219,947</u>	<u>236,438</u>
Total Interest Income	7,201,182	8,246,048
INTEREST EXPENSE		
Dividends on Members' Shares	<u>\$830,161</u>	<u>\$1,165,677</u>
Total Interest Expense	\$830,161	\$1,165,677
Net Interest Income	\$6,371,020	\$7,080,371
Provision for Loan Loss	<u>731,642</u>	<u>2,250,529</u>
Net Interest Income after Provision Expense	\$5,639,379	\$4,829,843
NON INTEREST INCOME		
Fees and Charges	\$1,423,276	\$1,593,717
Miscellaneous Income	928,772	968,061
Non Operating Income (Expense)	<u>323,004</u>	<u>740,924</u>
Total Non Interest Income	\$2,675,052	\$3,302,703
NON INTEREST EXPENSE		
Compensation & Benefits	\$3,580,339	\$4,106,494
Operations	<u>4,442,934</u>	<u>5,080,917</u>
Total Non Interest Expense	\$8,023,273	\$9,187,411
Net Income	\$291,157	(\$1,054,866)

Supervisory Committee Report

The Supervisory Committee's duties are to ensure the safety of the members' and credit union's assets, make certain that proper internal controls, policies and procedures are in place and certify that they comply with generally accepted accounting principles. In 2014, Fisher, Herbst & Kemble, P.C. and the National Credit Union Administration performed comprehensive annual audits of the credit union. Based on the audit results, UNITED SA is in sound financial condition, appropriate 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

Leadership Team

Board of Directors:

Bill Gregory, Chairperson (2016)
Rick Tobias, Vice Chairperson (2016)
Don Mann, Treasurer (2015)
Richard Baggs, Secretary (2015)
Clark Crutchfield (2017)
Pete Hugdahl (2017)
Rosaura Ramirez (2016)
John Rees (2016)

(Year refers to term expiration)

Supervisory Committee:

Clark Crutchfield, Chairperson
Ron Rivas
Jeannie Scott, Ph.D.

Senior Management:

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

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