Our Mission

• To improve the financial security of members and their families
• To be the principal supplier of financial services to our members
• To maintain a sound conservative financial position

Our Values

• Member Focused - We anticipate and respond promptly to member expectations and continuously fulfill member needs.
• Act with Integrity - We act ethically for the member, co-workers, suppliers and our Credit Union.
• Financially Strong - We support those actions and behaviors that contribute to growth and return.
• Good Employer - We treat employees with respect and dignity. We provide employees with a work environment that is challenging, rewarding, enjoyable and safe.
Many have described the current severe economic downturn in the United States as the “perfect storm” – a confluence of the sub-prime mortgage fiasco, the paralysis of the credit markets and the accompanying collapse of the stock market. The intensity of this economic upheaval has been frightening for many families. In turn, they have looked for a safe harbor – a place they can trust for their financial future. For our members, that place has been USAlliance.

Throughout this crisis, we have continued to make credit available to members at our traditional low rates and with affordable terms. Our savings products have and still do carry rates that have consistently outperformed the markets we serve. Through two mergers, one in June with Skyline Federal Credit Union and the other in December with UniStar Federal Credit Union, we have grown to 50,000 members with over $750 million in assets, adding six additional branches including one in Manhattan. We have increased the convenience of conducting routine transactions through the successful introduction of shared branching.

Our economy will weather the storm. Until it does, please remember that USAlliance—your credit union—is here for you. USAlliance remains a secure financial services institution, with a strong capital position that will insure that we will be here for you in the future, to serve all your financial services needs.

Thank you for your trust and support throughout 2008. We look forward to continuing to serve the financial needs of you and your family—during both the economic troughs and crests—for many years to come.

George L. Barto
Chairman
The year 2008 proved to be a monumental one for the US economy, the credit union industry and USAlliance. The economy retreated into a recession the likes of which have not been felt since the early 1980s. While the credit union industry as a whole has weathered the economic storm better than its banking counterpart, it has not been totally immune to the downturn. For USAlliance, it was a year of both challenges and opportunities. We implemented actions to mitigate the former while initiating others to seize upon the latter. The decisions made were sound, prudent ones to help position the Credit Union to better compete in the future. Steps taken by us to insure a more prosperous tomorrow, as well as extraneous events and proper accounting requirements, have had a negative impact on our current financial position, resulting in a non-operational loss. I’d like to address each of these in more detail.

After a thorough due diligence process, we completed mergers with two credit unions – Skyline Federal Credit Union in June and UniStar Federal Credit Union in December. These mergers added over 15,000 dedicated members and six new branch offices, including one in New York City accessible to our entire membership. These acquisitions greatly enhance our ability to provide more services more quickly and conveniently at a time when they are needed the most. As you might expect, these credit unions sought out a merger partner because they could no longer operate as individual institutions. As required by generally-accepted accounting principles at the time, their losses became our losses. This is a one-time occurrence and we do not anticipate any further negative financial impact stemming from these mergers.

During 2008, USAlliance recognized a significant insurance loss due to alleged fiduciary misappropriation at the Credit Union’s wholly-owned subsidiary, Affina Brokerage Services, LLC. We have recovered the majority of
the loss from the Credit Union’s bonding company, an event that will be reflected in our 2009 consolidated financial statements.

Finally, in January 2009, all federally-insured credit unions received notification that the National Credit Union Administration’s (NCUA) actions to fortify the corporate credit union system would result in a partial write-down of each institution’s National Credit Union Share Insurance Fund (NCUSIF) deposit. It was also determined that each credit union would be assessed a premium to return the NCUSIF equity as required by law to acceptable levels. After much consideration and in accordance with guidelines set forth by the American Institute of Certified Public Accountants (AICPA), we have elected to recognize the NCUSIF impairment during the year ended December 31, 2008.

USAlliance is now and will remain a stable and secure institution. The current economic crisis will someday be behind us. The Credit Union will be here, as it now, with a full array of financial service products for our members and their families. I hope you will remember that and come to us when needs arise.

Michael F. Ambrose
President/CEO
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.

With oversight from the Supervisory Committee, internal and external auditors performed ongoing audits and reported their findings to the Supervisory Committee on a regular basis. The Supervisory Committee meets periodically and privately with the independent accountants, as well as the Board of Directors and Management, to review accounting issues including internal control procedures and regulatory compliance. The Committee also addresses member concerns.

For a complete copy of the independent audit report performed by Orth, Chakler, Murmane & Co., 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

Directors
James R. Collins
Dean Hiller
William H. Lusk
John Murphy
Ferdinand S. Spucci
Alan L. Stuart

Associate Directors
Ellen Dulberger
Scott J. Forbes
Timothy Sugrue

Directors Emeritus
Joseph E. Hanson
Thomas F. McCormick

Supervisory Committee

Chairman
Scott J. Forbes

Member
Robert M. DiChiara

Secretary
Allan Bednowitz

Associate Members
Arthur Liebowitz
Carmine Schiavello
## Statement of Financial Condition

### ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$12,960,480</td>
</tr>
<tr>
<td>Investments:</td>
<td></td>
</tr>
<tr>
<td>Available-for-sale</td>
<td>57,356,586</td>
</tr>
<tr>
<td>Other</td>
<td>89,064,935</td>
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<tr>
<td>Loans to members, net of allowance for loan losses</td>
<td>528,149,933</td>
</tr>
<tr>
<td>Accrued interest receivable:</td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>1,062,736</td>
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<tr>
<td>Loans</td>
<td>2,314,803</td>
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<tr>
<td>Prepaid and other assets</td>
<td>1,175,252</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>8,957,687</td>
</tr>
<tr>
<td>NCUSIF deposit</td>
<td>1,815,771</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$702,858,183</strong></td>
</tr>
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</table>

### LIABILITIES AND MEMBERS’ EQUITY

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members’ share and savings accounts</td>
<td>$642,097,940</td>
</tr>
<tr>
<td>Accounts payable and other liabilities</td>
<td>10,257,718</td>
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<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>652,355,658</strong></td>
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<tr>
<td>Commitments and contingent liabilities</td>
<td>—</td>
</tr>
<tr>
<td><strong>MEMBERS’ EQUITY:</strong></td>
<td></td>
</tr>
<tr>
<td>Regular reserve</td>
<td>17,582,100</td>
</tr>
<tr>
<td>Undivided earnings</td>
<td>35,963,942</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>(3,043,517)</td>
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<tr>
<td><strong>Total members’ equity</strong></td>
<td><strong>50,502,525</strong></td>
</tr>
<tr>
<td><strong>Total liabilities and members’ equity</strong></td>
<td><strong>$702,858,183</strong></td>
</tr>
</tbody>
</table>
# Statement of Income

For the year ended December 31, 2008

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INTEREST INCOME:</strong></td>
<td></td>
</tr>
<tr>
<td>Loans to members</td>
<td>$31,158,058</td>
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<tr>
<td>Investments</td>
<td>7,247,980</td>
</tr>
<tr>
<td><strong>Total interest income</strong></td>
<td>38,406,038</td>
</tr>
<tr>
<td><strong>INTEREST EXPENSE:</strong></td>
<td></td>
</tr>
<tr>
<td>Members’ share and savings accounts</td>
<td>18,530,989</td>
</tr>
<tr>
<td>Interest on borrowed funds</td>
<td>659</td>
</tr>
<tr>
<td><strong>Total interest expense</strong></td>
<td>18,531,648</td>
</tr>
<tr>
<td><strong>Net interest income</strong></td>
<td>19,874,390</td>
</tr>
<tr>
<td><strong>PROVISION FOR LOAN LOSSES</strong></td>
<td>2,350,381</td>
</tr>
<tr>
<td><strong>Net interest income after provision for loan losses</strong></td>
<td>17,524,009</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NON-INTEREST INCOME:</strong></td>
<td></td>
</tr>
<tr>
<td>Fees and service charges</td>
<td>4,229,354</td>
</tr>
<tr>
<td>Gain on dispositions of property and equipment</td>
<td>464,720</td>
</tr>
<tr>
<td>Gain on loans</td>
<td>30,008</td>
</tr>
<tr>
<td><strong>Total non-interest income</strong></td>
<td>4,724,082</td>
</tr>
<tr>
<td><strong>NON-INTEREST EXPENSE:</strong></td>
<td>22,248,091</td>
</tr>
<tr>
<td>Compensation and employee benefits</td>
<td>14,328,485</td>
</tr>
<tr>
<td>Office operating costs</td>
<td>5,198,224</td>
</tr>
<tr>
<td>Impairment on NCUSIF insurance deposit</td>
<td>3,365,113</td>
</tr>
<tr>
<td>Other expenses</td>
<td>3,321,782</td>
</tr>
<tr>
<td>Office occupancy expenses</td>
<td>2,453,830</td>
</tr>
<tr>
<td>Loss on Affina misappropriation</td>
<td>2,165,823</td>
</tr>
<tr>
<td><strong>Total non-interest expense</strong></td>
<td>30,833,257</td>
</tr>
<tr>
<td><strong>Net Loss</strong></td>
<td>($8,585,166)</td>
</tr>
</tbody>
</table>

Executive Management Team

Michael F. Ambrose
President/CEO

Agnes Kung
Senior Vice President Human Resources

Bruce J. Simons
Senior Vice President CIO Information Systems

James B. White
Senior Vice President CFO Finance

Robert Canavan
Vice President Accounting Services

Janet Felix
Vice President Information Systems

Chris J. Lazowy
Vice President Branch Operations and Business Development

Doreen A. Salvati
Vice President Member Services and Consumer Lending

John Francese
Assistant Vice President Information Security

Joann D. Kay
Assistant Vice President Marketing

Susan G. Lowell
Assistant Vice President Real Estate Services

Marion T. Murphy
Assistant Vice President Human Resources
Branch Locations

New York
600 Midland Avenue
Rye, NY

219A E. Hartsdale Avenue
Hartsdale, NY

262 Boston Post Road
Port Chester, NY

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

303 S. Broadway, Suite 126
Tarrytown, NY

New York City
350 West 31st Street
New York, NY

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

New Jersey
25A Vreeland Road, Suite 106
Florham Park, NJ

ISO Branch*
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

159 Overland Road
Waltham, MA

* Restricted Access Branches