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—that our President/CEO, Kris VanBeek calls “shiny pennies.”

Although we are changing, two factors have and will remain untouched - our unaltering 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
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.
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
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

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

## LIABILITIES AND MEMBERS’ EQUITY

### LIABILITIES:

<table>
<thead>
<tr>
<th></th>
<th>As of December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Members’ share and savings accounts</td>
<td>$737,753,424</td>
<td>$696,157,817</td>
</tr>
<tr>
<td>Accounts payable and other liabilities</td>
<td>8,300,981</td>
<td>7,540,889</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>746,054,405</td>
<td>703,698,706</td>
</tr>
</tbody>
</table>

### MEMBERS’ EQUITY:

<table>
<thead>
<tr>
<th></th>
<th>As of December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Regular reserve</td>
<td>17,582,100</td>
<td>17,582,100</td>
</tr>
<tr>
<td>Undivided earnings</td>
<td>45,203,709</td>
<td>42,612,588</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>(5,701,958)</td>
<td>(5,454,011)</td>
</tr>
<tr>
<td>Total retained earnings</td>
<td>57,083,851</td>
<td>54,740,677</td>
</tr>
<tr>
<td>Total liabilities and retained earnings</td>
<td>$803,138,256</td>
<td>$758,439,383</td>
</tr>
</tbody>
</table>
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 4,325,000  3,545,000
   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                        $1,800,716      $1,811,534
### Executive Management Team

<table>
<thead>
<tr>
<th>Name</th>
<th>Title/Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kris P. VanBeek</td>
<td>President/CEO</td>
</tr>
<tr>
<td>James B. White</td>
<td>CFO/Senior Vice President</td>
</tr>
<tr>
<td>Chris J. Lazowy</td>
<td>Senior Vice President, Sales &amp; Member Services</td>
</tr>
<tr>
<td>Denise M. Enlund</td>
<td>Vice President, Compliance &amp; Risk Management</td>
</tr>
<tr>
<td>Kevin A. Randall</td>
<td>Vice President, Electronic Systems</td>
</tr>
<tr>
<td>Felicia A. Hudson</td>
<td>Assistant Vice President, EFT/Card Services, ATMs &amp; Imaging</td>
</tr>
<tr>
<td>Darryl R. Jacobs</td>
<td>Assistant Vice President, Consumer Loans</td>
</tr>
<tr>
<td>Joann D. Kay</td>
<td>Assistant Vice President, Marketing</td>
</tr>
<tr>
<td>Susan T. Lowell</td>
<td>Assistant Vice President, Real Estate Services</td>
</tr>
<tr>
<td>Marion T. Murphy</td>
<td>Assistant Vice President, Staffing, Employee Relations &amp; Training</td>
</tr>
<tr>
<td>Allan P. Rentz</td>
<td>Assistant Vice President, Business Development</td>
</tr>
<tr>
<td>Shireen Shen</td>
<td>Assistant Vice President, Information Technology</td>
</tr>
<tr>
<td>Raksha Shirali</td>
<td>Assistant Vice President, Human Resources</td>
</tr>
</tbody>
</table>
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 Berme 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