

Adapting. Changing.
Transforming.

2021 ANNUAL REPORT



USE CREDIT UNION[®]

Board of Directors *Report*

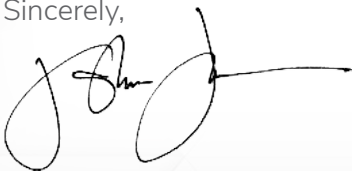
On behalf of the Board of Directors, I'm pleased to report USE Credit Union is a financially healthy organization, well-positioned for continued growth and success. 2021 was a year of adapting, changing and transforming for many—and your credit union was no exception. Our staff worked hard to meet the demands of an ever-changing landscape and to offer you relevant products and services meeting your financial needs. For over eighty years now, we have been continuously challenged to learn and grow in new ways.

We continue to prioritize the health and wellbeing of our members and employees, as we monitor and adjust safety measures for mitigating the spread of the COVID-19 virus. While this led to some inconveniences for members, especially in our branches, we've been gratified by the patience and understanding expressed by the overwhelming majority of members. Thank you for your support and your membership!

On a personal level, for those of us who have been long-time USE Credit Union members, our President and CEO, Jim Harris, retired in September. Jim ably led the credit union, for over 15 years, and we will miss his warmth and sincerity. We congratulate him for a long and successful career, and wish him all the best for a well-deserved retirement!

In line with our theme “*Adapting. Changing. Transforming.*”, we are confident the credit union’s new President and CEO, Todd Tharp, will guide us toward future success. Todd is an exceptional leader, having served as USECU’s Chief Financial Officer for 5 years prior to his appointment to President and CEO. We are proud to have such a high-caliber talent leading our team and credit union into the next phase of our evolution – transforming USECU into a financial institution that’s easier to do business with – and a very bright future.

Sincerely,

A handwritten signature in black ink, appearing to read "Josh Lawrence", with a long horizontal flourish extending to the right.

Joshua Lawrence
Board Chair

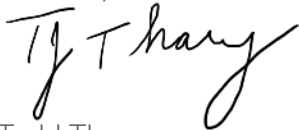
Letter from the CEO

It is a great honor to have been selected by the Board of Directors, last November, to lead USE Credit Union. I am truly humbled, and very grateful, for the trust they have placed in me. I am excited to partner with the Board of Directors, our Senior Leadership, and Staff to advance our organization and enhance your member experience.

Like so many other organizations, our credit union endured another year of COVID pandemic-related challenges and uncertainty. I am pleased to report we have largely succeeded in safeguarding the health of our team and our financial position remains strong. We remain optimistic in our ability to largely mitigate the negative impacts of COVID going forward.

We have made changes to our leadership and mindset which prompted the theme for this year's annual report: "Adapting. Changing. Transforming." In this annual report, you will see highlights of how we are using technology to earn and keep your business – making banking with us easier and more convenient, delivering excellent products and services, and making our credit union values real by prioritizing purpose over profit.

Sincerely,



Todd Tharp
President and Chief Executive Officer

Supervisory Committee *Report*

The volunteer Supervisory Committee represents member interests by upholding policies and procedures and ensuring regulatory requirements are met. To that end, the Committee meets regularly throughout the year to review internal and external audit reports. In keeping with its annual financial audit responsibilities, the Committee retained Moss Adams, LLP to review USE Credit Union's books and records as of December 31, 2021. Moss Adams' resulting opinion states the Credit Union's financials present fairly, in all material respects, the financial position and results of operations in conformity with U.S. Generally Accepted Accounting Standards. A condensed version of the audited financial statements is included with this annual report. A full copy of Moss Adams' 2021 audit report has been provided to the Board of Directors, and the State of California's Department of Financial Protection & Innovation, and will be made available to members, upon request.

Sincerely,

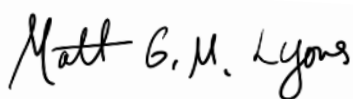


Kimberly Floyd
Chair, Supervisory Committee

Credit Manager's *Report*

USE Credit Union offers its members loan products, at competitive rates, through a team of talented and committed team members who work with external partners, such as auto dealers and other credit unions. In 2021, USECU's loan portfolio increased 7.0% or \$49,387,000 versus an 8.3% decrease or \$63,950,000 in 2020. We continued to review and adjust the portfolio mix to ensure we meet our member, financial and strategic needs. In 2021, our delinquency rate decreased to 0.13%, from 0.20% in 2020, and our loan losses decreased from 0.19% to 0.07%.

Sincerely,



Matt G.M. Lyons
Executive Vice President, Chief Operating Officer, Credit Manager

Digital Transformation is the Beginning

We're transforming everything to serve you better.

At USECU, we don't sell stuff. We make dreams happen by empowering members with quality financial products and services that can help them map a path toward the future they really want. That means we need to be nimble, adapting and changing to meet evolving member needs and priorities. Here are just a few highlights from our efforts in 2021.

Expanding Digital Banking

Throughout the year, we rolled out a series of innovations and improvements to make it simpler and more convenient for members to engage with us, access their accounts, and better their financial lives. This included moving more applications for membership and accounts online, launching Zelle® person-to-person funds transfer, introducing voice banking with Alexa, and making it possible for members to receive real-time alerts about their accounts and view their credit scores in digital banking.

Mission Valley: The Branch of the Future

We were thrilled to debut an all-new branch design when we moved our Mission Valley branch to the popular Westfield Mission Valley shopping area. The smartly-designed space includes airy, but private spaces for our Dream Makers to meet with members to discuss more complex topics, a safe and sanitized space to occupy children while parents are doing their banking, and next generation interactive teller machines (ITMs) that provide self-serve and video-teller options in a branch-secured vestibule.

Member Financial Wellness

A big part of what sets USECU apart from other financial institutions is our genuine commitment to our members' financial well-being. This year, we presented free webinars on topics members tell us are among their top financial concerns: from how to pay for college, to insurance coverage, and the basics of retirement investing.



San Diego Loyal Partnership

Nobody was more thrilled than soccer fans when pandemic lockdown rules eased and in-person events came roaring back. The timing was perfect to launch our exciting new sponsorship of the San Diego Loyal men's professional soccer team. The relationship reinforces our strong commitment to the San Diego community and raises awareness about USECU through our presence at home games at Torero Stadium and a range of co-branded promotional pieces and activities.

Purpose over Profits

Our commitment to our communities will never change.

Our passion for making a real and positive difference in people's lives is one of the things that makes USECU different from typical financial institutions. Here are some of our 2021 priorities that demonstrate our commitment to our communities' health, wellness and well-being.



Supporting San Diego

The fundraising and donation drives we organized for Feeding San Diego provided 57,850 meals to hungry San Diegans, and our employees volunteered at events where they sorted and organized thousands of pounds of food. We also helped Serving Seniors with book donations that fostered social distanced camaraderie among disadvantaged seniors, and then celebrated the resumption of in-person activities by sponsoring "homecoming" events and donating athletic shoes to Serving Seniors' walking group. And, through Heart of San Diego, our employees helped countless San Diegans get vaxxed by volunteering 4 hours a day for 2 months with Rady's vaccination clinic, volunteered more than 160 hours to clean up beaches, and spent dozens more hours staffing Armed Services YMCA food distribution events and other activities benefiting local nonprofit organizations.

Helping Children & Families

Our support for children and families in need ranged from a Toys for Tots gift drive to cash donations, including \$3,000 to purchase supplies for Afghan families relocating to San Diego, \$3,000 for care packages to assist migrant children, and \$3,000 to SAY San Diego's Bridges to Success program. We also helped children receive critically-needed medical care by contributing \$13,000 to Children's Miracle Network Hospitals through our sponsorship of the CU SacTown Run and support for the CU4Kids annual wine auction.



Diversity, Equity, and Inclusion

In 2021, we built on the prior year's work establishing our Credit Union's internal DEI Advisory Committee, broadening the effort to enable more employees to participate. Among other things, the Committee aims to educate, offer development opportunities, provide resources and drive positive change to benefit the Credit Union, its employees and the broader community.

Financials

AS OF DECEMBER 31, 2021

ASSETS

Cash and cash equivalents	\$	181,217,273
Available-for-sale investments		226,960,426
Federal Home Loan Bank (FHLB) stock		5,070,500
Loans, net		746,960,156
Accrued interest receivable		2,723,371
Premises and equipment, net		26,050,345
National Credit Union Share Insurance Fund (NCUSIF) deposit		9,972,109
Insurance contracts		22,147,508
Other assets		43,336,648
Total assets	\$	1,264,438,336

LIABILITIES & MEMBERS' EQUITY

Members' shares	\$	1,144,247,533
Borrowed funds		5,000,000
Accrued expenses and other liabilities		12,830,291
Total liabilities		1,162,077,824
Retained earnings		104,497,683
Accumulated other comprehensive income (loss)		(2,137,171)
Total members' equity		102,360,512
Total liabilities and members' equity	\$	1,264,438,336

INTEREST INCOME

Loans	\$	28,942,995
Investments and cash equivalents		3,868,738
Total interest income		32,811,733
Interest Expense:		
Members' shares		2,760,705
Borrowed funds		158,800
Total operating expense		2,919,505
Net interest income		29,892,228
Provision for Loan Losses		(381,560)
Net interest income after provision for loan losses		30,273,788

NONINTEREST INCOME

Interchange income, net of fees	\$	2,682,537
Service charges and other fees		2,476,766
Gain on sales of loans		1,146,377
Courtesy pay fees		742,214
Other noninterest income		1,197,673
Total noninterest income		8,245,567

NONINTEREST EXPENSE:

Compensation and benefits		18,753,356
General and administrative expenses		14,998,220
Occupancy		3,597,234
Other noninterest expense		623,621
Total noninterest expense		37,972,431
Net Income	\$	546,924

Leadership

BOARD OF DIRECTORS

Josh Lawrence, Board Chair

Matt Adams, Board Vice Chair

David Ely, Board Member

Harry Le Grande, Board Member

Steven Lei, Board Member

Yvonne L. Marsh, Board Member

Les Overman, Board Member

Beverly Randez, Board Member

SUPERVISORY COMMITTEE

Kimberly Floyd, Supervisory Committee Chair

Steve St. Marie, Supervisory Committee Member

Carolynn Winship, Supervisory Committee Member

EXECUTIVE TEAM

Todd Tharp, President and Chief Executive Officer

Matt G.M. Lyons, Executive Vice President and Chief Operating Officer

Margarita Guerra, Senior Vice President and Chief Financial Officer

Amber Fielder, Senior Vice President and Chief Marketing Officer

Charlie Williams, Senior Vice President and Chief Risk Officer

Annual Meeting of the Membership *Minutes*

1. CALL TO ORDER

USE Credit Union's Annual Meeting of the Membership was held virtually, via Zoom, on May 27, 2021. The meeting was called to order by Chair Randez at 5:01 p.m.

2. WELCOME AND INTRODUCTIONS

Chair Randez welcomed everyone to the 85th Annual Meeting of the Membership and introduced attending Corporate Officers, Board Members and Supervisory Committee Members.

3. ROLL CALL

Corporate Secretary Tharp stated a quorum is 10% of total active members, or 50 members, whichever is less, present in person or by proxy. A quorum was present.

4. APPROVAL OF THE MINUTES

Chair Randez stated minutes of the Annual Meeting of the Membership of May 28, 2020 were made available via the Annual Report which was posted in advance on the credit union's website (www.usecu.org). She noted the report could be found within the "Community & About" section on the "Who We Are" page. Further, she noted attendees were encouraged to email questions, comments and/or changes, in advance of the meeting, to annualmeeting@usecu.org. Hearing none, Chair Randez declared the minutes approved by acclamation and ordered them filed as distributed.

5. REPORTS

A Board of Directors Report: Chair Randez noted the Board's report was included in the Annual Report for review and information.

B. President's Report: Harris added his greetings and thanked those in attendance for joining the meeting. He then gave a presentation highlighting a variety of strategic accomplishments over the past year. Harris was pleased to report the credit union received both the Union Tribune's "Top Workplaces" award as well as achieved "Best of the Best" status on our employee opinion survey, again. Next he noted historic deposit growth, which coupled with low demand for loans, impacted our capital position. He added we entered into the pandemic with historic capital levels and are well-positioned to weather the impacts. Next, Harris highlighted a several digital enhancements implemented over the year, noting we'll continue this shift to digital to drive strategic developments into 2021 and beyond. Lastly, Harris explained how we were able to sustain a high-level of member loyalty, as measures by a Net Promoter Score (NPS), despite COVID-19 challenges.

Harris provided a few brief comments regarding the future, and how we're entering into a post-pandemic new normal or "next" normal phase. He remarked on how the credit union came into the pandemic very strong and has weathered this storm well. Harris concluded by extending his appreciation to the Board, Supervisory Committee and staff for another successful year.

C. Credit Manager's Report: Lyons presented the Credit Manager's report, noting a copy was included in the Annual Report for review and information.

Annual Meeting of the Membership *Minutes*

D. Supervisory Committee Report: Committee Chair Floyd stated a copy of the committee's report was included in the Annual Report, as was a summary of our financials as of December 31, 2020. She noted we received good reports from all external regulators and auditors.

6. UNFINISHED BUSINESS

Chair Randez noted the opportunity to submit unfinished business was made to all attendees by emailing the credit union at annualmeeting@usecu.org; none was received.

7. NEW BUSINESS

Chair Randez noted the opportunity to submit new business was made to all attendees by emailing the credit union at annualmeeting@usecu.org; none was received.

8. ELECTION OF OFFICIALS

A. Report of Nominations by Petition: Corporate Secretary Tharp reported no nominations by petition were received.

B. Election of Officials: Nominating Committee Chair Overman reported at the close of nominations:

- On the credit union's Supervisory Committee
 - Steve St. Marie was nominated to serve a 3-year term
- On the Board of Directors
 - Matt Adams, Scot Eisendrath and Yvonne L. Marsh were each nominated to serve 3-year terms;
 - Harry Le Grande was nominated to serve a 2-year term; and,
 - Steven Lei was nominated to serve a 1-year term.

In keeping with its responsibilities, on behalf of the Nominating Committee, Chair Overman presented these candidates and moved into nomination of this slate of candidates.

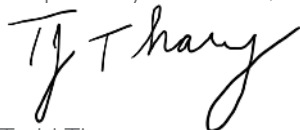
There being no nominations by petition, Chair Randez declared the nominees elected by acclamation.

9. ADJOURNMENT

There being no further business to report, Chair Randez thanked everyone for joining the meeting. She invited questions about the meeting or anything in the Annual Report to please be emailed to annualmeeting@usecu.org.

There being no further business, the meeting was adjourned at 5:17 p.m.

Respectfully submitted,



Todd Tharp
SVP, Chief Financial Officer, Corporate Secretary



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