

Statement of Financial Conditions

ASSETS:	2010	2011	2012
Net Loans	32,844,000	38,496,000	41,288,000
Cash & Investments	31,060,000	34,162,000	35,965,000
Other Assets	1,787,000	1,890,000	2,272,000
TOTAL ASSETS	65,691,000	74,548,000	79,525,000

LIABILITIES & MEMBERS' EQUITY:

Dividends & Accounts Payable	149,000	162,000	307,000
Shares	21,382,000	31,246,000	35,255,000
Share Drafts	14,327,000	17,165,000	19,261,000
Indexed Money Markets	9,734,000	5,391,000	4,734,000
Certificates	14,794,000	13,397,000	13,023,000
Statutory Reserve	597,000	597,000	597,000
Undivided Earnings	4,708,000	6,590,000	6,348,000
TOTAL LIABILITIES & MEMBERS' EQUITY	65,691,000	74,548,000	79,525,000

INTEREST INCOME:

Interest on Loans	2,092,752	2,452,276	2,439,388
Investment Income	888,388	706,667	493,504
TOTAL INTEREST INCOME	2,981,140	3,158,943	2,932,892

INTEREST EXPENSE:

Dividends	491,691	669,471	197,925
Interest on Borrowings	436	299	335
TOTAL INTEREST EXPENSE	492,127	669,770	198,260

NET INTEREST MARGIN	2,489,013	2,489,173	2,734,632
----------------------------	------------------	------------------	------------------

NON INTEREST INCOME:

Fee Income	686,019	684,416	760,058
Other Income	227,009	240,199	145,448
TOTAL NON INTEREST INCOME	913,028	924,615	905,506

NON INTEREST EXPENSE:

Employee Compensation	1,456,077	1,869,119	2,042,080
Travel & Conference	30,697	42,241	34,441
Office Occupancy	149,365	152,304	181,491
Office Operations	575,446	689,777	604,171
Member Services	236,172	262,463	339,021
Loan Servicing	182,495	240,909	200,857
Provision for Loan Loss	225,848	50,935	137,358
Professional Services	132,715	168,350	168,789
Educational/Promotional	169,022	171,096	202,425
TOTAL NON INTEREST EXPENSE	3,157,837	3,647,194	3,910,633

NET INCOME:	244,204	(233,406)	(270,495)
--------------------	----------------	------------------	------------------

NET WORTH TO ASSETS RATIO:	7.8%	9.5%	8.6%
-----------------------------------	-------------	-------------	-------------

BOARD OF DIRECTORS

Joseph Herrle	Chair
Richard Singer	Vice Chair
James Rushing	Treasurer
Jeffrey VanHorn	Assistant Treasurer
Larry Beahm	Secretary
Linda Shultz-Long	Director
John Switalski	Director
Nancy Weller	Director

BOARD EMERITI

Hugh Mose	Director
Peggy Lu Zimmerman	Director

SUPERVISORY COMMITTEE

Dr. Richard Harris	Chair
Kristi Myers	Secretary
Larry Cramer	Committee Member
David Mentzer	Committee Member
Jeff Stang	Committee Member

SPE FEDERAL CREDIT UNION STAFF

Senior Management

Russell P. Brooks	President/CEO
Christa Hosterman	Executive Assistant
Michael J. Meier	Senior VP & CFO
Wendy Myers	VP & Sales/Service Manager
Walter Ripka	VP & Chief Information Officer
Sue Swain	Outreach & Training Coordinator

Branch Managers

Mary Carbonara	East College Ave., State College
Cathy Howell	Washington St., Huntingdon
Lori Miller	Science Park Rd., State College

Business Development

Dianna Meckley

Small Business Lending

Michael Scott

Accounting

Sherri Klaus
Melissa Mangan
Elizabeth Neff

Member Lending Services

Brenda Cerett
Charlie Hackett
Linda Haines
Sue Hartswick

Human Resources

Erin Butler

Information Technology

Brenda Horner

Member Service Representatives

Linda Brenneman	Paula Hockenberry
Teresa Coppock	Jerie Kellogg
Diana Fouse	Christine McClellan
Abby Gaisior	Patricia McNeal
Sharon Hege	Jan Stuck
Monica Henderson	Judy Wyland



2012 ANNUAL REPORT



Science Park Road, State College



College Avenue, State College



Washington Street, Huntingdon

Supervisory Report

All credit unions are required by law to have a supervisory committee. The job of a supervisory committee is to oversee all aspects of the credit union to determine that it is soundly managed and that members' assets are safeguarded. To do this, the supervisory committee monitors and evaluates the quality of the credit union's finances, operations, and decisions.

The supervisory committee is a dedicated group of volunteer members of the credit union. During 2012 the Supervisory Committee lost the services of Chairman Jeff VanHorn who was elected to the Board of Directors and member Larry Hess who resigned. Dr. Rik Harris was selected to replace Mr. VanHorn as committee chairman. Mr. Larry Cramer and Mr. Jeff Stang continued to serve as committee members. Despite an active search program, the committee finished 2012 two members below authorized size. These open committee positions were filled in early 2013.

In order to fulfill our responsibility in 2012, the supervisory committee conducted periodic examinations to verify that operations of the credit union were accurate and efficient. These examinations included

- Surprise teller cash drawer and vault cash at all branches
- Vaults, traveler checks, and money orders at all branches
- Dormant / bad accounts
- Multiple types of loans

None of these examinations revealed more than minor procedural issues.

The supervisory committee's efforts were augmented by the services of a professional audit firm, Padden, Guerrini, and Associates. This firm conducted legally mandated audits, quarterly review of closed accounts, the required annual Automated Clearing House (ACH) audit, and special assessments of other areas of credit union operation. Results of these examinations were reported to the supervisory committee and to SPEFCU management. Issues identified by these examinations are either closed or are actively being addressed by management.

Through regular attendance at Board of Directors meetings, review of Board minutes, and policy decisions we believe that the actions of the Board are sound and responsive to the needs of the SPE Federal Credit Union members.

We are pleased to report that in our opinion the activities of the SPE Federal Credit Union have been administered in compliance with all rules and regulations of the National Credit Union Administration and the bylaws of the SPE Federal Credit Union.

Respectfully submitted,

Rik Harris

Supervisory Committee Chair

Chairman's Message

The past year has presented many new and familiar challenges to SPE.

With the Presidential Election in the rear-view-mirror and reports of renewed economic vitality in the news, SPE is poised and ready to serve our members and the community at large.

In 2012, the local economy saw flat sales and eroding prices in home sales yet "refinancing" remains a popular Credit Union tool. Nationally, auto sales increased although the Manufacturer's Subsidized Finance programs impact SPE auto loan volume. All told the Credit Union remains a safe, strong place to deposit money and to invest in the local community.

As we continue to grow (approximately \$80,000,000 in assets) we know that the next stage of growth (to \$100,000,000) will be achieved by combining technology with continued staff encouragement, training, and education.

SPE is all about "the people." We could not be more pleased with our new community and branch that serves Huntingdon County. The Huntingdon market is underserved and ready for financial professionals to care for family and business needs one at a time!

We continue to analyze and examine new services and tools we might offer members. Yet, we must be mindful that it is up to each of us to spread the Credit Union message and remind all family members and friends who live, work, or worship in Centre or Huntingdon County that they are eligible to belong to the Credit Union.

In summary, the sustaining value that has allowed the Credit Union to thrive for 34 years is the ability to "change."

We face change with valued Board Members and Staff nearing retirement, we face change with increased government regulation and wasteful expense and we face change as banks and others reach their arms into the marketplace and attempt to serve your needs.

Through the years, SPE has successfully demonstrated the "ability to change" while never losing our core values. We thank you for your continued trust and we encourage you to think of SPE first and for all your banking needs.

Respectfully submitted,

Joseph C. Herrle

Board Chair

President's Message

With the completion of the merger of SPEFCU and HCFCU, we spent nearly a full year as one credit union. The combined staff and membership have helped to forge a strong presence in Huntingdon and Centre Counties. For the first time every person residing in Huntingdon County automatically qualifies for membership in a credit union. We are excited at the prospect of extending the credit union advantage to all of the citizens of the area we serve.

With the combined impact of the merger and new deposits from new and existing members, total assets grew from \$74,548,000 at the end of 2011 to \$79,525,000 at the end of 2012. That increase of 6.7% reflected the continued support of our members and the addition of new members throughout the year.

Because of the impact of the required accounting for merger expenses and the \$67,036 special assessment of the NCUA the credit union did experience a loss for the year in 2012. The very good news is that the merger expenses are behind us and the NCUA assessments have stabilized and should be in decline in the future. The New Year (2013) is already looking better.

The credit union movement is experiencing two simultaneous forces that make these times very challenging. The first force is the lingering effect of the Great Recession and the regulatory and expense burden in the aftermath. The regulators of banks and credit unions have "taxed" the successful institutions to cover the costs incurred nationally for those institutions that failed. Fortunately these costs have moderated somewhat as time passes. These assessments are separate from the taxpayer money used to bailout the big banks.

The second force at work is a good one. More and more citizens are joining the credit union. The movement ended the year with more than 93 million members nationally. Consumers are discovering that they can save significant money by joining the voluntary cooperative that is a credit union. Credit unions are member centric and not profit centric. For those of us who have the privilege to work in the credit union, we are reminded daily that "It is not about us. It is about you, the member." We are moving into what can be another "golden age" for credit unions when more and more consumers discover what is available to them through membership.

I encourage you to investigate additional ways your credit union can serve you with products and services. Tell us when we are doing well. Tell us when we are not doing so well. Tell your family, friends, neighbors, and co workers that you belong to a credit union and they should too.

Respectfully submitted,

Russell P. Brooks

President/CEO