



Space City Credit Union
2012 Annual Report

President's Report



2012 proved to be a great year for Space City Credit Union, and we are pleased to celebrate another productive year of serving our membership. Throughout the last year, we were able to maintain some of the highest deposit rates in the nation, increase our financial strength through two mergers, and improve the credit union's overall operational efficiencies to achieve better economies of scale. This gives us more leverage to implement the latest products and services to better serve our members.

As the Economy continues to slowly recover, Space City Credit Union has managed to keep pace with the evolving financial landscape throughout 2012 and into 2013. We have continued to balance conservative decision-making with a competitive growth mentality, all in the name of improving service to our membership. 2012 brought about opportunities to merge with two Houston-area credit unions; Houston Housing Authority Federal Credit Union and Independence Parkway Federal Credit Union. These two mergers allowed Space City Credit Union to expand our footprint into the Greenway Plaza and La Porte areas. We are pleased to have acquired two more Space City CU branches, located at 3333 Richmond Avenue, Houston, TX 77098, and 1030 Independence Parkway South, La Porte, TX 77571. After the completion of these two mergers in 2012, we are proud to say that our membership grew from 5,200 to 8,200 and we ended the year with just over \$60 million in assets. The Credit Union's liquidity also rose from \$1.2 million to \$14.7 million, which gives us plenty of funds to loan out to our members and/or invest.

Due to the changes the Credit Union underwent in 2012, updates to our bylaws were also made. The approved amendments included changing the number of directors from 7 to 10, as well as expanding our field of membership to include a 10-mile charter around our newly acquired La Porte branch. Our bylaws were also updated to reflect the select employee groups of our two merger partners, as well as a new select employee group, Nexus Health Systems.

Our success is closely attributed to the support and confidence of our members. Members continue to trust and depend on Space City Credit Union as a safe and sound financial institution. We are financially sound and well positioned to grow and serve you as we focus on protecting member deposits, continuing to strengthen our financial health, providing member desired financial products and services, and providing attractive and competitive loan and deposit rates with fast and efficient processing. We are grateful for the support of each member and the cooperative principles they represent. On behalf of the Credit Union staff, I would like to recognize and thank all of our members for their continued support. I would also like to express my appreciation to our employees and volunteer committees for their time and dedication to this cooperative financial institution.

Thank You,
Craig Rohden, President/CEO

Chairman's Report

On behalf of the volunteer Board of Directors at Space City Credit Union, we are privileged to celebrate Space City CU's 48th successful year of serving our membership. We are dedicated to educating members and non-members alike about the great financial benefits that we provide here at Space City CU. Credit Unions are not-for-profit, and exist to provide a safe and convenient place for members to receive better interest on their deposits, and obtain loans at reasonable rates. Additionally, members receive the dividends paid on successful operations, rather than outside institutions and non-depositors. Choosing a credit union as your financial institution is an investment in your future, and we greatly appreciate all 8,200 of our members deciding to bank with Space City Credit Union.



Like you, each of your board members is a member of Space City Credit Union. We have our savings here. We have loans here. And we have a vested interest in overseeing this financial institution. As you may know, your board of directors serves voluntarily and we are not compensated for this service. That is yet another difference between credit unions and banks! And it's an important one.

We continue to be optimistic and committed about the growth of our financial institution. Please let me know if there is anything I or any of my fellow board members (below) can do to assist you.

Mick Lay Jr., Chairman [2014]
Steve Hines, Vice Chairman [2014]
Judy Langford, Secretary [2015]
Jack Patton, Assistant Secretary [2015]

Jerry Garcia, Treasurer [2013]
Buddy Holcombe, Director [2014]
Robert Sander, Director [2015]
Byron Hodges, Director [2013]

Mark Heitker, Director [2014]
Craig Rohden, President/CEO/Director [2013]
Matt Hayslip, Audit Committee
Philip Ringer, Audit Committee
Mike Proctor, Audit Committee

Sincerely,
Mick Lay, Chairman

Treasurer's Report



This brief synopsis of the Credit Union's financial condition clearly illustrates the excellent progress that has been achieved in the past year. We are pleased to report the results below because they are reflective of the success the Credit Union has had in meeting the financial needs of our members, and being financially sound enough to be viable merger partners for other financial institutions in the area. The credit union's year to date earnings are recorded as \$-37,651 as a result of absorbing negative earnings from our two merger partners, as well as one-time merger-related expenses. We are pleased to report that the financial results for 2012 reflect a continuing trend towards strengthening and maintaining the Credit Union's strong financial foundation.

Sincerely,
Jerry Garcia, Treasurer

| Statement of Financial Condition | | | Statement of Income | | |
|---------------------------------------|---------------------|---------------------|-------------------------------------|--------------------|--------------------|
| For Period Ending December 31, 2012 | | | For Period Ending December 31, 2012 | | |
| | 2012 | 2011 | | 2012 | 2011 |
| Assets | | | Income | | |
| Loans | \$42,467,758 | \$30,922,099 | Loans | \$2,897,665 | \$1,867,274 |
| Allowance for Loan Loss | (\$177,430) | (\$167,673) | Investments | \$40,869 | \$5,982 |
| Net Loans | \$42,290,328 | \$30,754,426 | Other | \$1,169,681 | \$972,519 |
| Cash | \$1,116,079 | \$766,491 | Total Income | \$4,108,215 | \$2,845,775 |
| Investments | \$14,689,198 | \$1,235,325 | Non-Operating Income/Expense | \$50,074 | \$1,110 |
| Fixed Assets | \$1,577,503 | \$554,444 | Income Before Dividends | \$4,158,288 | \$2,846,885 |
| Other Assets | \$499,056 | \$532,962 | Less: Dividends | \$432,411 | \$344,884 |
| Total Assets | \$60,172,164 | \$33,843,649 | Int on Borrowed Funds | \$18 | \$141 |
| Liabilities | | | Expenses | | |
| Notes Payable | \$0 | \$0 | Employee Compensation | \$1,657,598 | \$902,643 |
| Accounts Payable | \$1,257,855 | \$777,173 | Office Operations | \$829,974 | \$480,463 |
| Other Liabilities | \$161,677 | \$140,248 | Provision for Loan Losses | \$119,344 | \$48,849 |
| Total Liabilities | \$1,419,532 | \$917,421 | Operating Expenses | \$1,156,593 | \$719,785 |
| Savings | | | Net Income | (\$37,651) | \$350,120 |
| Shares | \$54,055,237 | \$30,300,633 | Allocation of Net Income | | |
| Equity | | | To Regular Reserves | \$0 | \$0 |
| Regular Reserves | \$472,173 | \$493,206 | | | |
| Undivided Earnings | \$2,228,726 | \$2,132,389 | | | |
| Equity Acquired from Merger | \$1,996,495 | | | | |
| Total Liabilities & Equity | \$60,172,164 | \$33,843,649 | To Undivided Earnings | (\$37,651) | \$350,120 |

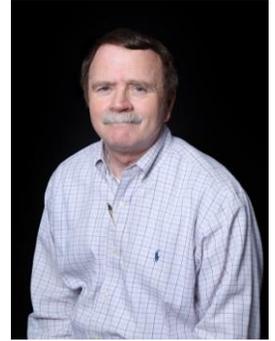
How Did We Do In 2012? A Nationwide Peer Comparison

| | SCCU | Others |
|------------------|--------|--------|
| Loan Growth | 37.37% | 3.03% |
| Share Growth | 78.40% | 5.56% |
| Delinquency | 1.10% | 1.26% |
| Return on Assets | -0.08% | 0.49% |

Credit Committee Report

Our lending department worked efficiently and diligently in 2012 to ensure that loans were serviced and funded quickly and efficiently. Thanks to their effort and Space City CU's competitively low loan rates, we were able to meet our member's loan demands and help them fund their household operations. In the year 2012, Space City CU's loan department approved 1,468 loans for more than 19.7 million dollars, making for a great year in lending contrary to economic trends that show people are borrowing less. Below you will find a consolidated statement for your review.

Thank you,
Steve Hines
Chairman, Credit Committee



| 2012 Loans | | | |
|-------------------|----------------|---------------|-------------------|
| Loan Type | # Loans | Amount | Percentage |
| New Autos | 137 | \$ 3,937,072 | 20% |
| Used Autos | 454 | \$ 6,923,484 | 35% |
| Signature | 473 | \$ 1,121,507 | 6% |
| HE/Real Estate | 5 | \$ 583,574 | 3% |
| Other Secured | 152 | \$ 2,134,421 | 11% |
| Refi. Amount | 247 | \$ 1,640,846 | 8% |
| MasterCard Adv. | -- | \$ 3,423,827 | 17% |
| Total | 1468 | \$19,764,731 | |

Audit Committee Report

The Audit Committee is a group of volunteers appointed by the Board of Directors, and is primarily responsible for overseeing the overall safety and soundness of Space City Credit Union. We serve as the auditing body; ensuring that Space City CU complies with all applicable laws and regulations and acts in the best interest of the Credit Union's member-owners.

Each year, our committee reaffirms our commitment to ensuring that our member-owned credit union is financially stable and maintains the highest standards possible. The Texas Credit Union Department examines Space City CU annually, and the Audit Committee contracts the services of Credit Union Resources, Inc. to conduct an internal audit. The results of both audits found that: internal controls were established and effectively maintained to achieve the credit union's financial reporting objectives; (ii) the credit union's accounting records and financial reports are promptly prepared and accurately reflect the operations and results; and (iii) the relevant plans, policies, and procedures established by the board of directors are properly administered. Once again, we are proud to report that the assets held by Space City Credit Union are safe and secure. Furthermore, our review concludes that Space City Credit Union is in compliance with federal regulations and standards provided by the National Credit Union Administration.

The committee welcomes all comments and suggestions from our members. You are invited to use the following confidential address: Space City CU Audit Committee, 10330 Highway 6 Site D, PMB 122, Missouri City, TX 77459.

Sincerely,
Jack Patton, Matt Hayslip, Philip Ringer, Mike Proctor

SPACE CITY CREDIT UNION
47th ANNUAL MEETING
APRIL 25, 2012

The 47th Annual Meeting of the Space City Credit Union was held on April 25, 2012 at the Space City Credit Union conference room. The actual meeting was called to order by the Chairman, Mick Lay at 11:00 AM upon determination of at least 25 primary members for a quorum.

The following directors were present:

| | |
|---------------|----------------------------------|
| Mick Lay | Buddy Holcombe |
| Judy Langford | Craig Rohden (President/Manager) |
| Jack Patton | Steve Hines |
| Jerry Garcia | |

Matt Hayslip represented the Audit Committee.

Absent and excused was Philip Ringer.

INTRODUCTION OF OFFICIALS

Craig Rohden (President/Manager) introduced the Board of Directors and the staff to the members and thanked all for coming to the Annual Meeting. He stated it was the 47th year of serving the members and that we were grateful to be their financial institution of choice. He stated the current success of the Credit Union is a direct result of hard work and dedication of the staff and Board to the membership.

MINUTES

A motion was made Jack Patton and a second by Buddy Holcombe to accept the minutes of the 2011 Annual meeting as written in the agenda handed out to each member. The motion passed by acclamation.

REPORT OF THE BOARD OF DIRECTORS (given by Mick Lay)

On behalf of the volunteer Board of Directors at Space City Credit Union, we are privileged to celebrate Space City CU's 47th successful year in serving the membership. Space City Credit Union is dedicated to offering products and services that you want and need. It is our mission to provide products and services in a way that builds relationships and creates a positive experience with you. Management is dedicated to making sure this happens. We monitor service closely to make sure you are provided with the highest level of service and professionalism possible.

We're excited about our growth as a financial organization and the potential we have for future growth. We plan to expand our product offerings and enhance our service even more in the coming year through service, training, and acquisitions of other financial institutions. It is our hope that you will make us your "primary financial institution" and it is our pleasure to serve you.

We continue to be optimistic and committed about the growth of our financial cooperative. Please let me know if there is anything I or any of my fellow board members can do to assist you.

REPORT OF THE TREASURER (given by Jerry Garcia)

I am proud to report to you that Space City CU remains strong, safe and secure because of our loyal member-owners. We are not bankers. Our credit union includes family members, co-workers, friends and neighbors, all pooling our resources for a better financial future. It is through your support that we continue to prosper and develop convenient services that complement your busy lifestyles. Membership has many benefits and our cooperative effort will always prevail through the hard times for you to achieve your financial goals. In 2011, Space City Credit Union implemented more products and services that continue to lead our credit union into the future. With the commitment of our members and increased use of our services, we were able to yield strong results in the overall financial condition of the credit union. As you will see on our financial statement, despite current economic conditions, your credit union posted strong earnings in 2011. This cannot be said of all credit unions in 2011 and we are proud to report these earnings for you, our members.

Thank you for your membership.

REPORT OF THE AUDIT COMMITTEE (given by Jack Patton, Matt Hayslip, Philip Ringer)

The Audit Committee is appointed by the Board of Directors and is responsible for two general goals. First, that management's financial reporting objectives have been met, and secondly, that management practices and procedures safeguard member assets. In accomplishing these goals, we supervise the establishment and ensure it maintains effective internal controls, promptly prepares accounting records, and financial reports that accurately reflect operations and results. Additionally, that management establishes policies and procedures that safeguard against error, carelessness, conflict of interest, and fraud.

The Texas Credit Union Department and the national Credit Union Administration examine Space City CU annually, and the Audit Committee contracts the services of Credit Union Resources, Inc. to conduct an internal audit. We are proud to report that our financial statements accurately portray the net worth of the credit union and that the books and records, loan portfolio, and other administrative areas are accurately maintained. Due in part to the efforts of the Audit Committee and auditors throughout the credit union movement, credit unions as a whole is very sound financial institutions. Credit Unions provide an alternative to consumers. The fact is, more individuals are choosing credit unions, not only because of their services, but also because they know that their money is safe. The Audit Committee is dedicated to ensuring that these beliefs are well founded. The committee welcomes all comments and suggestions from our members. You are invited to use the following confidential address: Space City CU Audit Committee, P.O. Box 2992, Houston, TX 77252.

REPORT OF THE CREDIT COMMITTEE (given by Steve Hines)

Our lending policy provided a solid foundation upon which our lending department stood. Thanks to our low rates and efficient service, loan demand remained constant throughout the year. Space City Credit Union works diligently to make sure our loan rates remain competitive and that we do everything we can do provide our members with the financing that they need. In the year 2011, Space City CU's loan department approved over 1249 loans for more than 20.5 million dollars, making for a record-breaking year in lending. Below you will find a consolidated statement for your review (breakdown was shown in annual report).

OLD BUSINESS

There was no unfinished or old business to be discussed.

NEW BUSINESS

Craig Rohden called for the election of directors as the first order of new business. The nominations for Board of Directors to fill three vacancies as presented by the Nominating Committee of Susanna Guajardo, Cleo Cisneros, and Nikki Moore were Judy Langford and Jack Patton. There were no other candidates presented, so a motion was made by Steve Hines and a second by Buddy Holcombe to declare these two as the newly elected Directors for 3-year terms. The motion passed by acclamation.

PRESIDENT'S REPORT (given by Craig Rohden)

On behalf of Space City Credit Union, we are honored to celebrate another successful year of serving the membership. This is our 47th year of serving you and we are ever so proud to be the continued financial institution of choice for over 5,300 members around the country. It is our goal to continually offer the newest and most innovative products and services to our membership. In 2011, one of the new services added to our roster was "Mobile Banking". The feature allows all members with smart phones to access their Space City CU account by downloadable application, mobile web site, or text banking. Through Mobile Touch Banking, members can check account balances, review recent account activity, transfer money between accounts, pay bills, change and cancel pending payments. The text message service allows you to check your account balances, review recent account activity by texting Space City CU and receiving an instant answer.

2011 also saw a substantial building remodel of our main office location on Harrisburg Boulevard. The building remodel included completely re-covering the building's façade, re-pouring the parking lot, and numerous other improvements to the building's interior and exterior. We hope the building serves the membership well and is a welcoming place for all to conduct financial transactions.

On behalf of the entire staff, I would like to thank our members for their continued business. I would also like to express my appreciation to our employees for their dedication to serving the needs of our members. Many thanks are also owed to our volunteer committees for their support.

A motion was made by Buddy Holcombe and a second by Steve Hines to adjourn the meeting. The motion passed by acclamation and the meeting adjourned at 11:30 AM.

Respectfully submitted by:

Judy Langford, Secretary

Mick Lay, Chairman