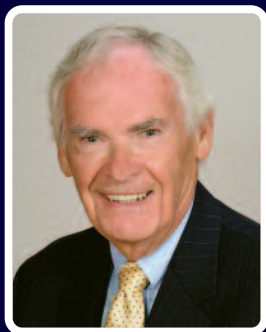


# 2010

**ANNUAL  
REPORT**

[www.STCU.com](http://www.STCU.com)

# Chairperson's Report



**Norman Halls**  
*Chairperson*

As the Chairperson of STCU Credit Union, I am pleased to report the condition at the Credit Union remains strong and secure. Our 2010 performance was exceptional in all areas, including growth in membership, earnings, deposits and loans, but unfortunately, we continue to be negatively impacted by the NCUSIF Stabilization. We have not lost sight of our fiduciary responsibilities in maintaining strong reserves for the growth and prosperity of STCU for decades to come. As of December 31, 2010, the Credit Union's equity remains well-capitalized.

I would like to take this opportunity to thank the Board, CEO, management and staff for their exceptional work in 2010 which has positioned STCU Credit Union among the leaders in the financial services industry within the Pioneer Valley. Your Board and Management are actively involved in promoting legislation both in the Commonwealth and nationally that will preserve the soundness of the Credit Union industry, while protecting our rights as a tax-exempt, not-for-profit, democratically-controlled financial cooperative for the benefit of our member/owners.

At a time when other financial institutions have significantly faulted in their responsibility to their investors, your Credit Union stands resolved in our mission for our members. Our continued priority will be to provide affordable personal and home financing with an accent on financial literacy for our youth and adults.

Mindful of our very competitive industry, the Board continues to carefully evaluate products and services that reflect the changing environment. Please continue to watch for these important releases as we continue to lead the Pioneer Valley in banking innovation.

Thank you for your valued business during 2010, and I ask for your family's future support of STCU Credit Union. If I can address any questions or comments, please do not hesitate to contact me, care of the credit union.

These past two years have been challenging, in the problems all financial intuitions have faced. This dilemma that caused changes in regulations has required the Board to understand your finances better.

This past year, management has made aggressive moves to maintain our sound financial footing. These moves have not affected you, your accounts, or the level of service you have come to expect. Many other financial intuitions have had to close their doors.

We all must salute our CEO and his staff for working endlessly to assist members and for providing assistance to us.

Mr. Brothers will be leaving the Credit Union this June 2011, he will be missed. On behalf of the Board and all of you, the members, we appreciate Mr. Brothers' hard work.

Bill, we wish you and Marcia all the best in the future, and enjoy your grandchildren.

**Norman Halls**, Chairperson

Your volunteer Board of Directors report that the credit union ended 2010 in a strong financial condition. STCU Credit Union is fundamentally sound; the institution is in substantial compliance, stable and able to withstand business fluctuations with overall risk practices being satisfactory.

As outlined in the accompany reports by the Committees, Chairperson and CEO, the credit union has been extremely productive in advancing delivery channels, and financial products, while maintaining a strong capital rating. 2010 has been a challenging year because of the turmoil in our economy and the financial services industry. At the end of year, the credit union retained over \$200,000 while at the same time contributing \$248,600 to NCUSIF's and NCUA's Stabilization and adding \$665,764 to our provisions for Loan Losses. This trust from the membership has been maintained since 1929 and will continue. The Board, management and staff are fully confident in exceeding this challenge and will continue to operate the credit union in a safe and sound manner.

STCU Credit Union has been at the forefront in our communities for advancing financial literacy and the protection of the elderly from predatory lending. We continue to encourage your feedback on any issues affecting the credit union and the service quality. Thank you again for allowing this volunteer Board to serve you for the long-term, controlled growth, stability and well-being of STCU Credit Union.

This marks my second report to our membership as President and CEO since June 2009. As STCU Credit Union celebrated our 81st anniversary in October, it gave us a short time to pause and reflect on the accomplishments we have attained and challenges we have ahead. Financial crises outside of the credit union are still effecting us, but we have survived and flourished through 2010 with sufficient capital to absorb these issues and still remain financially strong.

Your volunteer board and management continue to work hard to protect and grow your investment with STCU Credit Union. The equity that has been earned and accumulated for many years serves us well in times of poor economic conditions. At STCU Credit Union we saw very strong loan growth over the last few years, while other financial institutions lost market share. Deposits continue to be strong partially due to the fear of loss and low returns in the marketplace. In the credit union, the member-owners know that their hard earned funds will be well protected and insured. In late 2010, the Massachusetts laws were changed to have MSIC deposit insurance cover ALL deposits over the NCUA's \$250,000 limit.

As of the end of 2010, the credit union's equity was over \$8.6 million, the regulators rate your credit union a very well capitalized institution. Your Board's responsibility is to preserve and retain those reserves for the betterment of your credit union.

The Board continues to explore the expansion of additional financial services through established resources that would include the sale of insurance, investment and trust services. We clearly understand that the credit union must be able to compete in the marketplace to retain existing members and grow our new book of business.

Thank you for the opportunity to serve you as President and CEO of STCU Credit Union.

**William K. Brothers**, President & CEO

## Message from the Board of Directors

## President/ CEO's Report



**William K. Brothers**  
*President & CEO*

# Treasurer's Report



**G.R. Keyes**  
*Treasurer*

As Treasurer and Chief Financial Officer, I am pleased to report to the membership that 2010 was a profitable year for STCU Credit Union as we had net earnings of \$200,893. We achieved these earnings in spite of many challenges which included paying the NCUSIF Stabilization costs of \$128,484 and Provision for Loan Loss costs of \$665,764, each of which reflect the weak economy.

The Board of Directors and all of the credit union staff have worked very hard during the past year to keep your credit union strong and growing. For 2010, the credit union concluded the year with total assets of \$110,096,236 which is a growth of 3.0 Percent from 2009. Membership shares totaled \$101,590,420 which is a growth of 3.8 Percent. Most importantly, loans totaled \$81,376,017 which is a growth of 11.6 Percent.

STCU Credit Union's Capital position continues to be "Well Capitalized" at \$8,637,460 which is 7.8 Percent of assets.

STCU Credit Union continues to offer its members exceptional value. Our rates on share deposit accounts are very competitive and are consistently in the top third of the market place. Our loan terms are the most flexible in the market. Finally, our overall level of member service is superior as indicated by our members in the survey we conducted in 2010.

While there are many challenges ahead we remain committed to keep your credit union growing, profitable, and strong. We believe that the economy will continue to improve but it will be a long and slow process. With your continued support, we are ready and able to meet the future challenges of 2011 and beyond.

Respectfully Submitted,

**G.R. Keyes**, Vice President, Treasurer and Chief Financial Officer

	2010	2009
<b>Assets</b>		
Cash and due from banks .....	\$ 547,848	\$ 497,779
Short-term investments .....	<u>\$ 1,698,766</u>	<u>\$ 3,746,455</u>
<b>Total cash and short-term investments:</b>	<b>\$ 2,246,614</b>	<b>\$ 4,244,234</b>
Certificates of deposit .....	\$ 6,870,000	\$ 8,571,000
Securities available for sale .....	\$ 16,149,874	\$ 16,823,527
Total loans .....	\$ 81,376,017	\$ 73,110,824
Allowance for loan loss .....	( <b>\$ 812,710</b> )	( <b>\$ 254,466</b> )
Other real-estate owned .....	\$ 193,920	\$ 349,726
Premises and equipment .....	\$ 1,847,514	\$ 2,055,076
Accrued interest receivable .....	\$ 433,345	\$ 371,416
NCUSIF deposit .....	\$ 966,929	\$ 877,702
Corporate Membership Deposits .....	\$ 500,000	\$ 500,000
Investment CUBC Equity .....	\$ 0	\$ 25,000
Other assets .....	<u>\$ 324,733</u>	<u>\$ 169,916</u>
<b>Total Assets:</b>	<b>\$ 110,096,236</b>	<b>\$ 106,843,955</b>

<b>Liabilities and Retained Earnings</b>		
Deposits .....	\$ 101,590,420	\$ 97,850,107
Mortgage escrow accounts .....	\$ 223,329	\$ 156,242
Accrued expenses and other liabilities .....	<u>\$ 237,872</u>	<u>\$ 182,025</u>
<b>Total Liabilities:</b>	<b>\$ 102,051,621</b>	<b>\$ 98,188,374</b>
Retained Earnings (including regular reserve) .....	\$ 8,637,460	\$ 8,436,567
Accumulated other comprehensive (loss)/income .....	<u>(<b>\$ 592,845</b>)</u>	<u>\$ 219,014</u>
<b>Total liabilities and Retained Earnings:</b>	<b>\$ 110,096,236</b>	<b>\$ 106,843,955</b>

	2010	2009
<b>Interest and Dividend Income</b>		
Loans .....	\$ 4,499,757	\$ 4,318,177
Securities .....	<u>\$ 727,322</u>	<u>\$ 674,624</u>
<b>Total interest and dividend income:</b>	<b>\$ 5,227,079</b>	<b>\$ 4,992,801</b>
Interest expense on deposits .....	\$ 1,617,207	\$ 1,855,613
Interest expense on borrowed funds .....	<u>\$ 0</u>	<u>\$ 0</u>
<b>Total interest expense:</b>	<b>\$ 1,617,207</b>	<b>\$ 1,855,613</b>
Provision for Loan Loss .....	\$ 665,764	\$ 164,241
<b>Net interest income:</b>	<b>\$ 2,944,108</b>	<b>\$ 2,972,947</b>
Member service fees .....	\$ 619,936	\$ 567,276
Gain on sales of securities available for sale, net .....	\$ 527,550	\$ 0
Miscellaneous .....	<u>\$ 41,971</u>	<u>\$ 43,979</u>
<b>Total non-interest income:</b>	<b>\$ 1,189,457</b>	<b>\$ 611,255</b>

<b>Non-interest Expense</b>		
Salaries and employee benefits .....	\$ 1,606,356	\$ 1,576,617
Occupancy and equipment .....	\$ 474,083	\$ 535,843
Marketing and advertising expenses .....	\$ 110,090	\$ 121,399
ATM and debit card servicing fees .....	\$ 207,811	\$ 168,919
Telephone, postage and supplies .....	\$ 162,587	\$ 153,777
Insurance expense .....	\$ 38,609	\$ 62,509
Correspondent bank service charges .....	\$ 82,128	\$ 78,615
Data processing .....	\$ 165,184	\$ 150,581
Professional services .....	\$ 167,246	\$ 159,338
OREO and foreclosure expenses and losses .....	\$ 192,294	\$ 37,402
NCUSIF and MSIC member insurance .....	\$ 44,514	\$ 0
Other general and administrative .....	<u>\$ 553,286</u>	<u>\$ 443,035</u>
<b>Total non-interest expenses:</b>	<b>\$ 3,804,188</b>	<b>\$ 3,488,035</b>
<b>Net income before other items:</b>	<b>\$ 329,377</b>	<b>\$ 96,167</b>
<b>Impairment and other charges</b>		
Impairment charges .....		\$ 0
NCUSIF insurance assessment .....	\$ 128,484	\$ 131,655
<b>NET PROFIT OR (LOSS):</b>	<b>\$ 200,893</b>	<b>(<b>\$ 35,488</b>)</b>

## Statements of Financial Condition

(audited)

December 31, 2010 & December 31, 2009

## Statements of Income (audited)

# ALCO Committee's Report

**Matthew Dowd**  
*Committee Chairperson*

**Awilda Chaban-Colon**  
*Director*

**Norman Halls**  
*Director*

**Robert Mulcahey**  
*Director*

The purpose of the Investment/Asset Liability Committee is to examine the credit union's investment portfolio and review the asset liability performance. The Committee performs these responsibilities by analyzing third party measurements of the interest rate risk, net economic value and gap analysis. These reports provide key operating guidelines and peer analysis so that the Investment/ALCO Committee can evaluate the institution's performance. Monthly reports are then provided to the Board of Directors for their review and appropriate action.

The Investment/ALCO Committee reports to the membership, that after careful review, the investment portfolio meets all state and federal statutes and has continued to perform at or above peer values. Further, in examining during the course of the past year, the credit union's asset liability standards represent an acceptable risk and performs consistently within written guidelines. The Committee is available to respond to member inquires on the above areas. Any written inquires may be directed to the Chairperson, Investment/ALCO Committee at STCU Credit Union. The Committee would like to thank management and our external firms in assisting the Investment/ALCO Committee during the past year.

# Report of the Credit Committee

**Kenneth Ketchum**  
*Committee Chairperson*

**John McDowell**  
*Director*

**Robert Mulcahey**  
*Director*

The Credit Committee is responsible for maintaining the strength of the lending programs at STCU Credit Union and working with our loan officers to reinvest deposits back into the membership in the form of loans. We are here to serve the lending needs of our members and meet each week to review loan requests and respond to concerns or questions.

In 2010 STCU Credit Union had total loan originations of \$25,260,501, a 23% increase over 2009. Our indirect program remained a strong source of loans as we provided 509 new or existing members with \$6,084,012 to purchase automobiles at our partner dealerships. We also provided \$2,284,170 in direct automobile financing for 149 current members.

STCU Credit Union members continued to take advantage of our low mortgage rates by refinancing their current mortgage or purchasing a new home. We were able to provide mortgage financing to 82 members for \$12,882,300. Our low rates allowed many to refinance their mortgage and take 5, 10 or even 15 years off their loan with no increase in payment.

The continued economic challenges of 2010 caused a decrease in many financial institutions loan portfolios. The membership of STCU Credit Union continued to turn to us for their financing needs and we saw our loan portfolio increase by 11.6%.

We thank you for the opportunity to serve you in 2010 and look forward to serving your needs in 2011.



The Federal Credit Union Act and STCU Credit Union by-laws provide that The Board of Directors shall appoint an Audit Committee, which is an essential part of the Credit Union's Management. Under the Acts and by-laws, the Committee is responsible for ensuring the safe, sound and consistent implementation and follow-up of all policies affecting the Credit Union.

The Audit Committee is also responsible for overseeing all record keeping functions, including, but not limited to, all phases of accounting operations and those which affect the individual Credit Union members. All inquiries sent directly to the Board of Directors, Audit Committee or the Credit Union's Administration are carefully reviewed and every attempt is made to accomplish a satisfactory resolution. The results are then reported to the appropriate parties.

A major responsibility of the Audit Committee is to ensure the accuracy of record keeping and reporting. In-depth reviews are conducted periodically, both internally and externally. Additionally, on an annual basis, the Audit Committee hires an independent accounting firm to audit our financial statements, by reviewing and testing the Credit Union's financial records and internal controls and reporting the results to you, our membership.

Our internal and CPA audits, in addition to the normal accounting requirements, include verification of the member's accounts. All replies receive the full attention of the Audit Committee and all inquires will be resolved.

This year's CPA audit has been contracted to G.T. Reilly & Co. of Milton, MA. The internal audits were assigned to Coclin and Associates of Cranston, R.I. The 2010 CPA audit report completed by G.T. Reilly & Co. has been reviewed and accepted by the Audit Committee and the Board of Directors.

In addition to the professional audits, the last safety and soundness examination of your Credit Union was conducted effective September 30, 2010 by the Division of Banks and the National Credit Union Administration. These regulatory agencies evaluate credit unions on their capital adequacy, asset quality, management, earnings and liquidity management.

The joint examination reported that STCU Credit Union is a fundamentally sound and stable institution that is serving the financial needs of their members.

STCU Credit Union looks forward to another outstanding year, serving the families within the Franklin, Hampshire and Hampden Counties. The Audit Committee will continue to serve you in a responsive and professional manner with the safety and soundness of the Credit Union being their paramount objective.



# Report of the Audit Committee

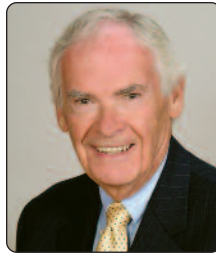
**Sidney Snegg**  
*Committee Chairperson*

**Norman Halls**  
*Director*

**Roland Joyal**  
*Director*

**Ruby Kelly**  
*Director*

# STCU Board of Directors



**Norman Halls**  
Chairperson



**Sidney Snegg**  
Vice Chairperson



**Kenneth Ketchum**  
Assistant Treasurer



**John McDowell**  
Clerk



**Awilda Chaban-Colon**  
Director



**Matthew Dowd**  
Director



**Roland Joyal**  
Director



**Ruby Kelly**  
Director



**Daniel Moriarty**  
Director



**Robert E. Mulcahey**  
Director

## Committee Members

### AUDIT COMMITTEE

Sidney Snegg, Chairperson  
Norman Halls  
Roland Joyal  
Ruby Kelly

### ASSET LIABILITY COMMITTEE

Matthew Dowd, Chairperson  
Awilda Chaban-Colon  
Norman Halls  
Robert Mulcahey

### CREDIT COMMITTEE

Kenneth Ketchum, Chairperson  
John McDowell  
Robert Mulcahey

## Management & Staff

William Brothers, President and CEO  
G.R. Keyes, VP, Treasurer and CFO  
John Klimas, VP Lending  
Jennifer Beylard, AVP Operations  
Amy Waddell, Executive Team Assistant

Evelyn Chavez, Head Teller  
Doris Cook, Assistant Head Teller  
David Killeen, Westfield Branch Manager  
Dina Lyne, Westfield Assistant Branch Manager  
Gloria Natal, Business Development Officer  
Diane Stallone, Collections Manager  
Omaira Torres, Operations Supervisor

Cynthia Ahenkang, Accounting Associate  
Kristen Ayers, Loan Officer  
Maria Caraballo, Member Service Representative

Marcella Clemons, Member Service Representative  
Deborah Cooke, Teller  
Cheryl Downie, Accounting Associate  
Brendan Fitzgerald, Loan Officer  
Lori Geissler, Loan Officer  
Tamara Kennett, Teller  
Joyce Kluiko, Accounting Associate  
Andrew Kowalik, Teller  
Anthony Lissandri, Loan Officer  
Marsha McCreary, Teller  
Holly Pond, Teller  
Kimberly Porter, Teller  
LynnAnn Silveri, Member Service Representative  
Natasha Smith, Teller  
Karina Tkachenko, Teller  
Michelle Wheeler, Operations Associate



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