

Huntington C&O Railway Employees
Federal Credit Union



Solving for Success

2010
Annual Report



In Memoriam

April 20, 2011, marked the passing of long-time Director Emeritus A.C. "Mac" McCaleb. Serving as a volunteer in the late 1970's through much of the 1980's, Mac was instrumental in the construction of the credit union's current facility and also served as Board president during some very turbulent economic times. Known for his infectious optimism and unwavering integrity, Mac represented all that is good about the credit union philosophy and his contributions to this organization will carry on far into the future. The officials and staff of the credit union extend the sincerest of condolences to Mac's wife Kathryn, his son and daughters, and his grandchildren.

83rd Annual Shareholders Meeting
May 24, 2011

Order of Business

Call to Order. Jerry Chapman, President

Roll Call. Brian Whitlock, Secretary

Presentation of Colors. Honor Guard

Moment of Remembrance..... Jerry Chapman, President

Introduction of Officials. Jerry Chapman, President

Introduction of Staff..... Chris Hutchison, Manager

Reading of 2010 Annual Meeting Minutes..... Brian Whitlock, Secretary

Unfinished or New Business..... Jerry Chapman, President

Nominating Committee Report..... Brian Whitlock, Committee Chairman

Pierce-Marcum Volunteer Scholarship Award Presentation..... Chris Hutchison, Manager

State of the Credit Union Address..... Chris Hutchison, Manager

Business Meeting Adjournment. Jerry Chapman, President

Door Prize Drawings..... Chris Hutchison, Manager



2010 Annual Meeting Minutes

The 82nd annual shareholders meeting of the Huntington Chesapeake & Ohio Railway Employees Federal Credit Union, held on May 25, 2010, at the Huntington Civic Arena, was called to order at 7:00 p.m. by President Jerry Chapman. Secretary Brian Whitlock made a roll call and confirmed a quorum of directors and members were present.

Following the presentation of colors, President Chapman asked for a moment of silence for all volunteers and members who laid the foundations for our credit union and have passed on before us.

Next, President Chapman recognized directors and committee members in attendance. Manager Chris Hutchison then introduced the credit union's employees.

A motion was made by Chris Hutchison to accept as printed and to dispense with the reading of last year's meeting minutes. The motion was seconded by Jack Dawson and properly carried.

As nominating committee spokesman, Brian Whitlock reported that Jerry Chapman, Robert Cecil, and Brian Whitlock were presented by the committee for the three expiring seats on the Board of Directors. No other nominees were received by petition. Mr. Whitlock also stated that Robert Cecil had been appointed earlier this year to complete the remaining term of deceased Board member John Simpson. Following, President Chapman declared the three nominees presented by the Committee elected by acclamation.

President Chapman called for any unfinished business to be brought to the floor. There was none presented. He then called for any new business. Hearing none, President Chapman closed that portion of the meeting.

Chris Hutchison introduced Melissa Jean Stump of Bidwell, Ohio, as the 2010 recipient of the Pierce-Marcum Volunteer Scholarship Award. Mr. Hutchison noted Ms. Stumps's outstanding 4.0 grade point average earned while a student at Ohio Valley Christian School and also listed some of her many volunteer activities. He then presented her with a commemorative coin, a plaque, and a cash award of \$500.

Chris Hutchison gave a state of the credit union address, during which he reported a net operating loss recorded for 2009, the first such loss in many years. He explained that a portion of the net loss was attributable to assessments imposed by the National Credit Union Administration (NCUA) to help shore up the corporate credit union system. Mr. Hutchison said that all federally insured credit unions, not just ours, were assessed a fee during 2009 and the assessments are likely to continue in the coming years. He concluded his remarks by pointing out to members that despite the current tough economic times we faced in 2009 and may continue to face well into 2010 and beyond, our credit union is very well capitalized and thus able to weather this storm.

A motion to adjourn the meeting was made by Jack Dawson. The motion was seconded by Hargis Harris and properly carried. Adjournment was recorded at 7:18 p.m. At the conclusion of the business meeting, door prize drawings were held.

Brian Whitlock
Secretary



Financial Highlights

	2010	2009	2008
Total Assets	\$31,257,202	\$41,635,825	\$28,177,799
Member Shares	\$27,466,233	\$26,897,473	\$24,020,238
Total Loans	\$13,921,553	\$14,063,303	\$13,441,317
Investments	\$15,613,984	\$25,973,606	\$13,244,714
CU System Investment Program	\$0	\$10,698,000	\$0
Net Worth	\$3,782,170	\$4,023,783	\$4,158,612
Operating Income	\$1,436,245	\$1,821,434	\$1,793,292
Operating Expenses	\$1,368,478	\$1,513,934	\$1,263,984
Dividend Expense	\$294,455	\$398,527	\$498,714
Non-Operating Gain (Loss)	(\$16,926)	(\$43,802)	\$0
Net Income (Loss)	(\$241,613)	(\$134,829)	\$30,594
Net Loan Charge-Offs	\$106,786	\$72,641	\$96,912
Total Membership	5,596	5,641	5,717
Number of Outstanding Loans	1,530	1,578	1,540
Members with Loans	1,201	1,224	1,178
Net Worth Ratio	12.1%	9.7%	14.8%
Loans-to-Shares Ratio	50.7%	52.3%	56.0%
Average Delinquency Ratio	1.29%	0.93%	1.49%



President's Report

Recalling last year's report, I indicated that we would continue to struggle with earnings for the foreseeable future. Unfortunately, that prediction has proved to be accurate. As depicted in the accompanying financial reports, we recorded a significant operating net loss for 2010 and a corresponding decline in net worth. Similar to the conditions endured in 2009, last year included historically low interest rates, weak loan demand, and strained consumer finances. The start of 2011 has also been similar, although the many actions taken by the Board of Directors and management to trim costs and boost operating income have begun to pay off, as the losses recorded so far have been much less than those recorded for the same period last year. We are cautiously optimistic that we can return to profitability relatively soon, barring any further declines in the national economy.

Despite the economic difficulties faced, the credit union continues to improve and add services. We recently enhanced our CheckFree online bill pay program, adding next-day payment options and person-to-person transfers. Earlier this year, we partnered with myCUMortgage, an organization built and owned by a credit union, to offer long-term traditional mortgage loans to our members. And we still have some of the best auto and personal loan rates in the area, along with convenient terms and low fees and charges.

During the past year, several changes have taken place within the credit union's leadership. From the Supervisory Committee, Robert "Bob" Cecil and Robert "Bob" Moses were elevated to positions on the Board of Directors. To fill vacancies, Greg Gaskin and Delores "Dee" Mount were appointed to the Supervisory Committee. Lastly, Clyde Mount has been elected chairman of the Supervisory Committee. On behalf of the Board, I congratulate these volunteers on their appointments and appreciate their willingness to serve our credit union.

In closing, I encourage all members to review this Annual Report and bring forward any questions or concerns. Our management team and staff are always willing to work directly with the membership and look forward to meeting their financial needs now and in the future.

Jerry E. Chapman

Board of Directors President



Manager's Report

This report shows our credit union incurred a loss in 2010. After 20 years (1989-2008) of net income, we suffered net operating losses in 2009 of \$134,843 and in 2010 of \$241,611. Included in the 2009 and 2010 losses were assessments from our regulator and insurer, National Credit Union Administration (NCUA) for \$72,307 and \$70,312, respectively. The assessments were part of NCUA's corporate credit union stabilization plan and affected all federally chartered credit unions.

Our Annual Meeting is being held May 24, 2011. Through April 30, 2011, we have recorded a net operating loss of \$1,994. We have completed one-third of this fiscal year and another annual net loss seems certain, although the total amount remains unknown at this point. While the net loss posted so far this year is minimal, we have not yet incurred an assessment from NCUA. We anticipate receiving NCUA's assessment in the 3rd quarter of this year, adding to our concerns. The on-going assessments from NCUA are a burden for all federal credit unions. It is expected NCUA will continue charging an assessment for a number of years, but due to continued economic uncertainties, the number has not been determined.

We are still in a difficult economy. Has the recession officially ended and the recovery begun? There are several views about this issue, but one thing remains the same. Interest rates continue to be very low. This hurts our depositors, but it also has a negative impact on the credit union's investments. In an effort to transfer some of our excess funds from low-yielding investments into quality loans to our members, which may improve our earnings, we recently reduced some loan rates and extended the terms of our mortgage loans.

Even with the net operating losses recorded in 2009 and 2010, and the expected loss for 2011, there are still some positive trends to note. Our average Delinquency Ratio (based on loans over 60 days past due) for 2010 was 1.29% and our Net Worth Ratio, while dropping due to losses in 2009 and 2010, was at a very strong 12.1%. It is worth noting that NCUA requires a Net Worth Ratio of at least 7.0% for a credit union to be considered well-capitalized.

Chris Hutchison
Manager



Supervisory Committee Report

Comprised of five volunteer members appointed by the Board of Directors, the Supervisory Committee is charged with the responsibilities of overseeing internal and external audit functions for the credit union and to ensure compliance with governing rules, laws, regulations, and established operating policies and procedures. The Committee employs several methods to accomplish its mission, including hiring independent professionals and performing hands-on reviews and inspections.

To aid in achieving its goals, the Supervisory Committee engaged the public accounting firm of Ware & Hall, PLLC of Huntington, WV, to conduct an independent financial statements audit for 2010. In April 2011, the firm issued an "unqualified opinion" statement, the most desirable of evaluations. Included in their report were recommendations for further enhancing the credit union's internal controls, which were reviewed and acted upon by the Board of Directors. As part of Ware & Hall's field work, a statistical sampling of member share and loan accounts was performed, with no unresolved findings reported. Additionally, Ware & Hall conducted a review of the credit union's compliance with Bank Secrecy Act regulations and Customer Identification Program rules, citing no material weaknesses.

In early 2011, the National Credit Union Administration (NCUA) conducted a regulatory review of the credit union's operations and its financial condition as of December 2010. The NCUA examiner's written report included a composite evaluation rating of "2", the agency's second highest ranking. The report's most significant conclusion focused on the credit union's operating net loss, a systemic problem facing many financial institutions in the current economy.

During the year, the Supervisory Committee also staged unannounced office cash audits, as well as a review of a sampling of consumer loans originated. The results of these reviews indicated sufficient internal controls and underwriting polices are in place and are being followed by staff.

Lastly, the Committee remains available to investigate any concerns or complaints reported by the membership. As an oversight body, the Supervisory Committee exists to address all issues related to the safety and soundness of the credit union. To schedule an appointment, members may call the credit union during normal business hours or send an email to supervisory.committee@c-ocreditunion.com.

Clyde E. Mount

Supervisory Committee Chairman



Officials and Staff

Board of Directors

Jerry E. Chapman	President
Walter M. Gilson	1 st Vice-President
Robert Cecil	2 nd Vice-President
Christopher D. Hutchison	Treasurer
Brian Whitlock	Secretary
Jerry D. Brown	Director
Michael T. Goodyear	Director
Hargis V. Harris	Director
Robert L. Moses	Director
James G. Adkins	Director Emeritus

Supervisory Committee

Clyde E. Mount	Chairman
Gregory G. Gaskin	Committee Member
James A. Lemons	Committee Member
Delores F. Mount	Committee Member
Trel A. Vance	Committee Member

Management

Christopher D. Hutchison	Manager
Brian Whitlock	Comptroller

Loan Department

Alisha D. Gill	Supervisor
Chad A. Matthews	Loan Officer

Teller Department

Carla D. Young	Head Teller
Carmen A. Dishman	Teller
Michelle L. Dixon	Teller
D. Diane Perry	Teller

Member Services Department

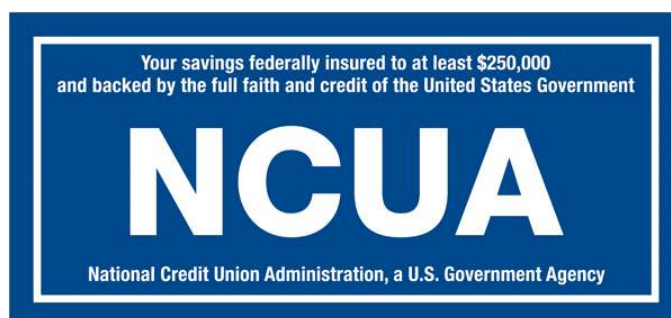
Sherry A. Ferrell	Member Services Representative
Lisa R. Gilkerson	Member Services Representative
Steve T. Ramey	Member Services Representative
Janet L. Wilmlink	Receptionist





THIS CREDIT UNION IS FEDERALLY INSURED

- ! National Credit Union Administration (NCUA) insurance is backed by the full faith and credit of the U.S. Government, just like the FDIC
- ! NCUA insures accounts up to at least \$250,000
- ! IRA and KEOGH accounts are insured separately up to \$250,000



Go to www.ncua.gov for more information