

SUPERVISORY COMMITTEE REPORT

The 2010 statements of financial condition, related statements of income, members' equity and cash flows for the year ended December 31, 2010 were audited by the independent auditing firm of Orth, Chakler, Murnane & Co., CPAs.

The audit was conducted in accordance with auditing standards generally accepted in the United States of America. The standards require that the auditing firm plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation.

As a result of the findings and conclusions reached during the audit, and in conjunction with meeting with auditors, it is the opinion of the Supervisory Committee that the financial interests of members are being well protected. Credit Union business is conducted in a professional manner and is in compliance with appropriate federal regulations.

Looking forward to 2011, the Supervisory Committee will expand its Internal Audits to examine in greater depth other areas not included in the year-end audit.

On behalf of the Supervisory Committee, I want to thank management and staff for their loyal support and dedication to the credit union over the past year.

Respectfully submitted,

Judith Pellerano
Supervisory Committee Chairman

Robert Raccone
Gene Pellerano
Supervisory Committee Members

2010 FINANCIAL REPORT

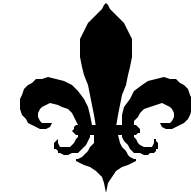
STATEMENT OF CONDITION

	For the Years Ended December 31,	
	2010	2009
Assets		
Residential Mortgage Loans	\$32,673,164	\$35,233,017
Member Business Loans	151,322	166,006
Consumer Loans	4,541,885	6,625,749
Less: Allowance for Loan Losses	<u>(417,606)</u>	<u>(250,410)</u>
<i>Net Loans</i>	\$36,948,765	\$41,774,362
Cash/Cash Equivalent	2,958,142	1,904,094
Investments	6,458,211	1,326,305
Accrued Income Receivable on Loans	122,280	150,584
Accrued Income Receivable on Investments	41,586	2,098
Premises and Equipment	1,261,911	1,390,311
Prepaid Expenses	97,344	82,655
Real Estate Acquired by Foreclosure	129,874	0
NCUSIF Capitalization Deposit	443,137	412,514
Other Assets	950,170	702,161
<i>Total Assets</i>	<u>\$49,411,420</u>	<u>\$47,745,084</u>
Liabilities		
Notes Payable	0	0
Dividends Payable on Shares	4,072	7,863
Accounts Payable, Escrows and other Liabilities	688,387	626,939
<i>Total Liabilities</i>	<u>\$692,459</u>	<u>\$634,802</u>
Shares and Members' Equity		
Share and Club Accounts	\$14,542,039	\$12,612,941
Passbook Plus and IRA Shares	6,755,676	8,056,635
Certificates	16,378,252	15,336,121
Sharedrafts	<u>5,531,285</u>	<u>5,631,393</u>
<i>Total Shares</i>	<u>\$43,207,252</u>	<u>\$41,637,090</u>
Regular Reserve	538,355	538,355
Undivided Earnings	4,973,354	4,934,837
<i>Total Equity</i>	<u>5,511,709</u>	<u>5,473,192</u>
<i>Total Liabilities and Members' Equity</i>	<u>\$49,411,420</u>	<u>\$47,745,084</u>

STATEMENT OF OPERATIONS

	For the Years Ended December 31,	
	2010	2009
Operating Income		
Residential Mortgage Loans	\$1,832,127	\$2,006,283
Member Business Loan	10,262	11,782
Consumer Loans	470,905	630,105
Investments	73,884	42,325
Fee Income	391,464	371,050
Other Operating Income	27,300	27,300
<i>Total Operating Income</i>	<u>\$2,805,942</u>	<u>\$3,088,845</u>
Interest Expense		
Dividends on Shares	441,755	595,297
Other Borrowed Money	0	139,157
<i>Total Interest Expense</i>	<u>441,755</u>	<u>734,454</u>
<i>Net Interest Income</i>	<u>2,364,187</u>	<u>2,354,391</u>
Provision for Loan Losses	308,000	360,000
<i>Net Interest Income After Provision for Loan Losses</i>	<u>2,056,187</u>	<u>1,994,391</u>
Operating Expenses		
Compensation and Benefits	1,214,772	1,243,625
Office Occupancy and Operations	569,319	584,985
Other General and Administrative	109,527	130,365
Examination and Supervision	124,052	73,910
<i>Total Operating Expense</i>	<u>2,017,670</u>	<u>2,032,885</u>
Non-operating Income		
Gain of sale of loans	0	0
<i>Net Income before Extraordinary Item</i>	<u>38,517</u>	<u>(38,494)</u>
Writedown of CCFCU capital	0	(545,473)
Recovery (Writedown) of NCUSIF deposit	0	265,890
<i>Net Income</i>	<u>\$38,517</u>	<u>\$(318,077)</u>

Annual Report 2010



Board of Directors

Elisabeth Birmingham, Chairman
Edward Lanati, Vice Chairman
Mark Cote, Treasurer
Barbara Raccone, Secretary
Judith Pellerano, Director



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REPORT OF THE CHAIRMAN

Dear Members,

Despite these challenging economic times I am pleased to report to you that your Credit Union returned to profitability in 2010. Our success is tied to the sustainability and strength of the U.S. Economy which shows slow and gradual economic improvement. Our ability to maintain a high capital level of 11.15% at year-end demonstrates the financial strength of your Credit Union despite the poor economic conditions of the past two years.

The National Credit Union Administration (NCUA) special share insurance premium and assessment for Windsor Locks was \$112,864 and is expected to continue for the next seven years. This expense is the result of other Credit Unions having to be rescued by the NCUA Insurance fund as a result of poor planning and reckless Board and Management practices, unlike your Credit Union's conservative financial management approach.

In 2010 we celebrated our 70th anniversary with hamburgers, hot dogs and prizes. Over 500 members enjoyed the day. During the year we held several member educational meetings in town. We support numerous local organizations with sponsorships and donations. As a community credit union we strive to promote financial security and thrift among our members and their families.

I would like to take a moment for remembrance of our Board Member, Catherine Myers, who passed away on September 10, 2010 after a courageous battle with cancer. Her outgoing personality is truly missed.

In conclusion I would like to thank my fellow Board members, Supervisory Committee members, management and staff for their hard work and commitment to the Credit Union during these extraordinary economic times. And a gracious thank you to our loyal members for the patronage of the Credit Union.

Respectfully submitted,

Elisabeth W. Birmingham
Board Chairman

REPORT OF THE TREASURER

The economy began to recover early in 2010. Home sales were sluggish despite low interest rates and lower home prices. Inventories of unsold homes remained high and foreclosures continued to add to the numbers of properties on the market. Unemployment remained high, limiting growth in consumer spending until very late in the year. Interest rates on investments and deposits remained at or in some cases below 2010 levels, further limiting disposable consumer income.

Windsor Locks Federal Credit Union's share deposits increased by almost \$1,500,000 in 2010, and net loans declined by almost \$5,000,000 as consumers continued to be conservative and use available cash to pay down loan balances and build up their personal reserves. The Credit Union did grant over \$5,400,000 in new loans and lines of credit in 2010. The excess funds were placed in a variety of Federally -insured certificates and investments in US Agency securities.

Declining loan balances and low interest rates reduced interest income by over \$300,000. Despite the increase in share deposits, dividend expense declined by almost \$155,000. Operating expenses, not including a National Credit Union Share Insurance Fund (NCUSIF) special assessment, declined by \$65,000 as the Credit Union continues to keep expenses in check.

Losses on loans charged off due to non-payment or bankruptcy resulted in an additional \$308,000 put aside to cover potential future losses; a decrease of \$52,000 from 2009.

The National Credit Union Administration (NCUA) charged the credit union with two separate expenses during the year. The first was a \$57,800 assessment for the Corporate Stabilization Program, the fund the NCUA is using to cover losses related to the shoring up and conserving of the corporate credit union system. The second was a \$55,000 premium for the National Credit Union Share Insurance Fund, the fund used to cover losses of failed credit unions. These expenses were over \$50,000 more than assessed in 2009.

In a year where many of our peers reported losses, Windsor Locks Federal Credit Union reported net income of \$38,517 for the year ended December 31, 2010. Net Capital remained a very strong 11.15%. This strong capital position has positioned your Credit Union to be in a position to take advantage of opportunities for growth and investigate new products, services and technologies that become available.

Respectfully submitted,

Mark Cote
Treasurer

CREDIT COMMITTEE REPORT

The loan portfolio decreased in 2010 by 11% to \$37,366,371. The real estate portfolio declined by over 7%, despite originating over 2 million dollars in real estate loans. The consumer loan portfolio also declined by nearly 10% in 2010. Several factors contributed to this decline. Overall loan demand was down and we received fewer quality applications. Also many members seem to be saving more and spending less, trying to decrease their debt.

Mortgage rates reached record low levels in 2010, and we originated more mortgage loans than in previous years (over \$2.5 million and \$1.8 million were kept in our portfolio). Despite declining home values, a glut of houses on the market and slow sales, members took advantage of the low rates to buy or refinance homes. We continued to sell 30 year mortgages in the secondary market. We anticipate that interest rates will rise on our variable rate loans such as the HELOC, so we targeted members with these products to convert to a low, fixed rate first or second mortgage before the rate increases begin.

We introduced a new product in the latter part of the year – the eight year Speedy Mortgage at a very attractive introductory rate of 3.875%. A number of members immediately took advantage of this loan and refinanced existing loans here or from other institutions. We now have nearly one million dollars in eight year mortgages in our portfolio. Members like this product because it has a low rate and gets paid off in only eight years so they can save on both the interest rate and term. The credit union likes the loan because it turns over quickly and we can then use the money to fund other short term mortgages. Our rate continues to be very competitive on this product.

The unemployment rate remained high in Connecticut. Consequently, the delinquency rate on all loans was above average last year. We have worked with many members to avoid foreclosure of their homes and repossession of their vehicles by restructuring loans, lowering the payments, deferring payments or extending the term to make the loan more affordable. Hopefully, as the economy improves, we will see delinquency abate and loan volume increase.

In the consumer loan area underwriting standards continue to be strict. Throughout 2010 we offered competitive rates on most of our products but loan volume was down due to the poor quality of applicants and the desire for members to use their saving, tax refunds, etc. to payoff debt, not increase it. We did originate nearly half a million dollars in used vehicle loans, but new auto loans were disappointing, but so were industry wide auto sales for most of last year.

We introduced a new Pay and Save Loan targeting those members who take out a new holiday loan for Christmas and/ or a vacation and pay it back in one year. This loan offered the same rate and terms as the Holiday or Vacation loans of the past but gave members the option to save funds with each payment. When a payment was made to the loan a portion of the payment was deposited to an account. Thus we have encouraged members to save up for their Christmas presents or Summer vacation. In this way they won't have to come back each year to borrow for these events. We hope to do more of this type of product in 2011.

We recently introduced a new loan to help members reduce or totally eliminate credit card debt. The Credit Card Buster allows all members to borrow up to \$3,000 at 10% interest and payoff or reduce one credit card at a time. Again, we are helping members reduce their debt at a more affordable price.

Last year we held a Credit Counseling seminar. Mike Savinelli of BCI Financial discussed how your credit score is determined and what factors affect credit. The seminar was followed by a pizza party. Overall, the event was a success and we will plan other seminars in the future.

As always, the primary goal of the loan department staff is to continue to provide quality service to our members and to meet the lending needs of our community.

Respectfully submitted,
John E. Franco, Jr.
Vice President of Lending