

2010 ANNUAL REPORT

**70 YEARS.**  
**40,000 MEMBERS.**  
**1 UNBANK.**



ONE SMALL CLICK OF THE "LIKE" BUTTON CAN MAKE A BIG DIFFERENCE.

YOU MAY EVEN WIN A KINDLE E-BOOK READER.

FIND OUT HOW



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WASN'T YOUR NEW YEAR'S RESOLUTION TO SAVE ON INSURANCE? HOW ABOUT WE DO IT FOR YOU?

At Connex Credit Union, we're not just here to provide you with the best rates on auto, home, and life insurance. We're here to help you save on your insurance costs. And we'll help you get the most out of your insurance policy. So you can get the most out of your insurance policy. So you can get the most out of your insurance policy.

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GET A QUOTE



www.connex.org

ADVOCATE ★ BEST ★ OF NEW HAVEN READERS' POLL 2010 Best Credit Union

DISCOUNT POWER INC.

MEET CONNEX CREDIT UNION'S NEW VICE PRESIDENT OF UNBANKING, ERIN KING.



She's smart, she's friendly, she's got a "kick butt" attitude. It's no wonder she's the new Vice President of Unbanking at Connex Credit Union. She's got a lot of experience in the financial industry, and she's got a lot of experience in the financial industry. She's got a lot of experience in the financial industry, and she's got a lot of experience in the financial industry.



your identity, easy to steal, hard to get back



Online Account Opening

Connex  
Improving the lives of our members, one member at a time.

Progress Indicator

Welcome!

Welcome to the world of Unbanking, online style. Connex wants to make managing your money as easy and convenient as possible. We're glad you've decided to join us.

So, before you get started, here are a couple things to keep in mind:

First, you do have to be at least 18 years old. Second, you need to be a U.S. citizen or resident alien.

You'll also need a handful of documents handy to complete the process. They are:

- Your Social Security Number
- Valid ID which includes either a Drivers License, State ID, Military ID or Passport
- Previous home address if you've lived at your current address fewer than two years
- A valid credit or debit card or U.S. Checking or Savings Account (this is to begin funding your new Connex Credit Union account)

One thing to be aware of during the process: if you're not active for 30 minutes, the session will time out and your information will be lost. This is a way to protect your personal data. So try to complete the process all at once when you have no other interruptions. Also, if you need to return to previous screens, use the "back" button on the actual pages, not the "back" button on your internet browser.

Ready to Unbank™ the "online"?



FUNNY HOW QUICKLY NEW ALLIANCES TURN OLD.

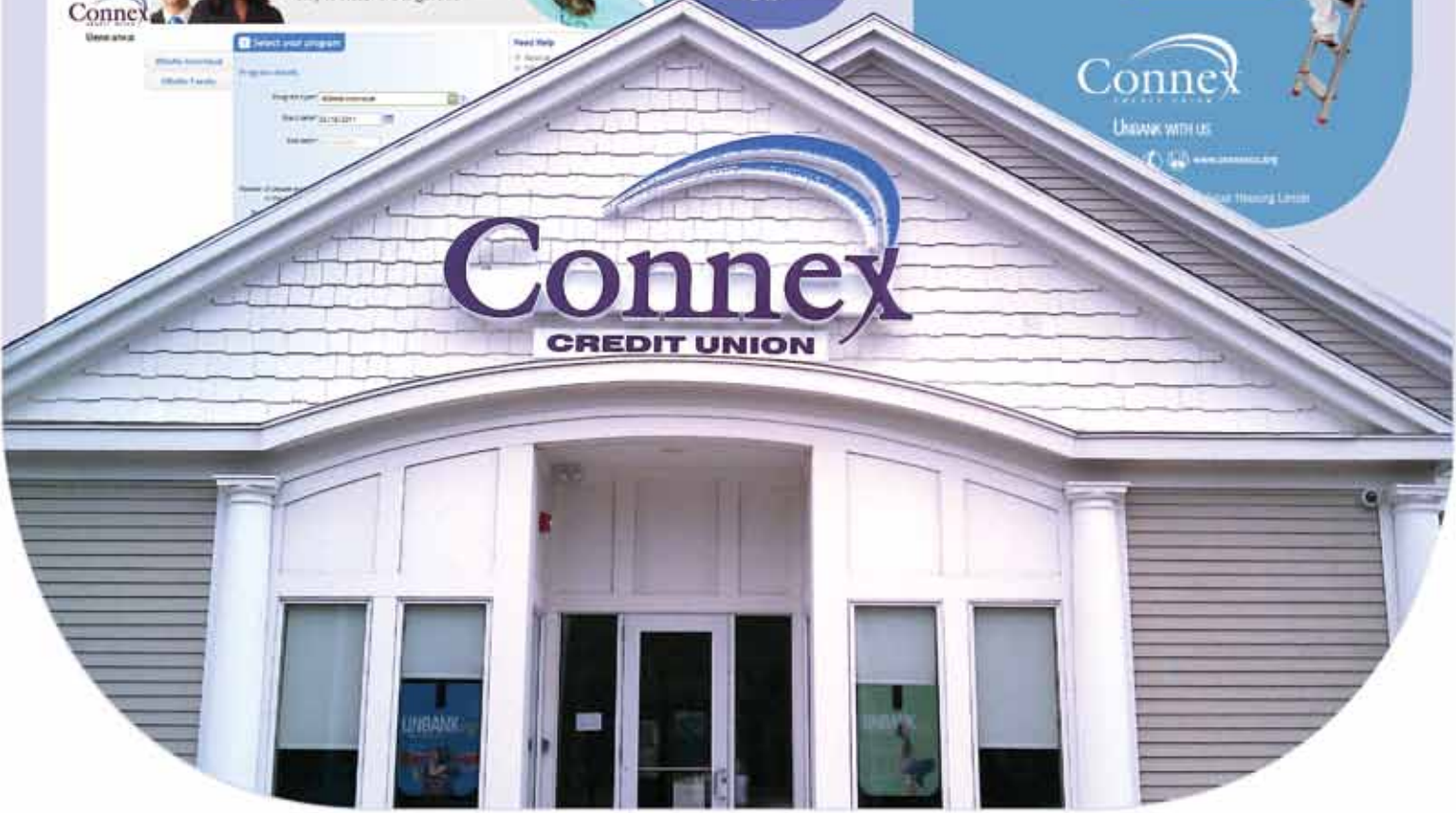
If your bank is changing its name, maybe it's time you make a change - to Unbanking with Connex Credit Union. We're member owned. So you own. We'll give you a hand that your money is with someone you can depend on you, not just a bank. And we'll give you products and services tailored to you, not just a bank. And we'll give you a hand that your money is with someone you can depend on you, not just a bank.

3.98% APR



Unbank with us

www.connex.org



## A MESSAGE FROM OUR CHAIRMAN

2010 marks an amazing milestone for Connex Credit Union – our 70th anniversary. We've come a long way since being established by a small group of Southern New England Telephone employees in 1940. After 70 years, we are more than 43,000 members strong. We've not only survived some of the most challenging economic years in history, but are thriving as a strong, locally-based financial institution. While other financial institutions were closing their doors, our regulators gave us high marks for safety and soundness. While other financial institutions are now owned by out-of-state mega banks, we are the Unbank: committed to our roots in Connecticut. We are proud to be a prospering credit union that knows our market and our members.

2010 marks milestones for the economy and consumers as well. Many consumers are buckling down and saving more for the first time in a long time. Connex supports that with our many safe and secure savings vehicles. The Federal Reserve continues to foster low loan rates to stimulate the economic recovery. This is great news for borrowers. It is tougher for savers. Even in this low rate environment, as a cooperative, Connex strives to offer competitive rates. We also offer our members alternative investment and financial planning solutions through MEMBERS Financial Services.

2010 saw the addition and expansion of many powerful products and services for Connex current and future members. One of the most exciting and potentially influential is the launch of Connex Insurance Services – a full service insurance agency owned by Connex Credit Union. Shopping for insurance isn't quite as much fun as shopping for other things in life, so we do the hard work for our members. We screen plans from a wide range of 'A' –rated carriers and provide the best solution that protects our members at the lowest price. It's a convenient way to save money on insurance with an institution that also looks out for their financial wellbeing.

Insurance savings is of course not the only way we're helping our members and communities. As has become engrained in Connex tradition, we donated nearly \$20,000 to local organizations in 2010. One of the most influential ways we do this is through our coin machine donation program. Four of our branches feature coin counting machines that charge nominal fees. Those fees are donated directly to caring community organizations. We also continued our college scholarship program and several other community involvement activities.

To close out 2010, Connex saw impactful success in helping our members save money and improve their financial lives with historically low mortgage rates. Our team developed the Savings Analysis – a tool that helped members provide information and rates on their current mortgage that our branch and call center teams could use to visually show how much money we could save them. This simple but highly influential tool was completed by hundreds of members who saw the amazing savings we were able to offer on one of their most valued assets – their home.

That success in the mortgage arena is only one example of how we live our mission every day to improve the financial lives of our members, while at the same time bringing financial success to the credit union. As we move into 2011 and the next 70 years, that same practice is what will lead us all to continued success.

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**Fred Heimann**

Chairman of The Board

## 1. Summary of Significant Accounting Policies

The accounting and reporting policies of Connex Credit Union (the "Credit Union") conform to National Credit Union Administration and applicable state accounting rules and regulations for state chartered credit unions.

### Loans to Members and Allowance for Loan Loss

Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Interest on loans to members is recognized over the terms of the loans and calculated on principal amounts outstanding. Loan fees and certain loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income.

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses that is charged to current earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is probable and estimable. Subsequent recoveries, if any, are credited to the allowance. Loans are placed on nonaccrual status when management believes, after considering economic conditions, business conditions, and collection efforts, that the loans are impaired or collection of interest is doubtful. Uncollectible interest previously accrued is charged off or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only after sufficient repayment history has been established.

General allowances are established for loans that can be grouped into pools based upon similar characteristics as described in SFAS No. 5. In this process, general allowance factors are based on an analysis of historical charge-off experience and expected losses given default derived from the Credit Union's loan pools. These factors are developed and applied to the portfolio in terms of loan type.

When necessary, specific allowances for loan losses are established for large impaired loans on an individual basis as required by SFAS No. 114. The specific allowance established for these loans is based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flow, the loan's estimated market value, or the estimated fair value of the underlying collateral.

Other qualitative factors associated with the allowance are subjective and require a high degree of management judgment. These factors include, but are not limited to, the nature and volume of the loan portfolio, adverse situations affecting a borrower's ability to repay, estimated value of underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

### Investments

The Credit Union's investments are classified and accounted for as follows:

**Held-to-Maturity:** Investments which the Credit Union has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts.

**Other Investments:** Investments in this category do not meet the definition of a debt or equity security under accounting pronouncements. Other investments may include certain cash equivalents that Management has elected to classify as investments. Other investments are stated at the lower of cost or market.

Cost of investments sold are recognized using the specific identification method. The amortization of premiums and the accretion of discounts are recognized over the term of the related investment by a method that approximates the interest method.

Management periodically performs analyses to test for impairment of various assets. A significant impairment analysis relates to the other than temporary declines in the value of the securities. Management conducts periodic reviews and evaluations of the securities portfolio to determine if the value of any security has declined below its carrying value and whether such a decline is other than temporary. If such decline is deemed other than temporary, Management would adjust the amount of the security by writing it down to fair market value through a charge to fair value through a charge to current period operations.

### Property and Equipment

Land is carried at cost. Building, computer equipment, furniture and equipment are carried at cost, less accumulated depreciation and amortization. Building, computer equipment, furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets.

### Regular Reserves

The Credit Union is required by the National Credit Union Administration to establish a reserve to absorb losses in addition to the allowance for loan losses. This required reserve is not related to amounts of losses actually anticipated and appropriations thereto have not been charged against income. The required reserve at December 31, 2010 and 2009 satisfied the minimum regulatory balance requirements of the National Credit Union Administration. This reserve, which represents a regulatory restriction of retained earnings, is not available for the payment of interest (dividends) on member share accounts.

### Equity Acquired in Merger

Equity acquired in a merger, represents equity acquired in a merger accounted for in accordance with the acquisition method of accounting. Under this accounting method, undivided earnings, both restricted and unrestricted, of the acquiree are combined on the acquirer's statement of financial condition as a component of equity called merged equity. This component of equity is considered part of net worth as defined by regulations established by the National Credit Union Administration.

### Income Tax Status

The Credit Union is exempt, by statute, from Federal and State income taxes.

### Supervisory Committee Statement

The Credit Union has a Supervisory Committee, which is appointed by the Board of Directors. The Committee meets with management, officials and their independent accountants to review the financial affairs of the Credit Union. The Committee reports to the membership at the annual meeting.

An audit was performed by a certified public accounting firm for the year ended September 30, 2010 and we received an unqualified opinion. A complete copy of the audited financial statements is available upon request.

## Statements of Financial Condition (Unaudited)

As of December 31, 2010 and 2009

	2010	2009
<b>Assets</b>		
Loans- net (1,3)	\$245,643,189	\$283,551,280
Cash	2,967,549	2,979,968
Investments (1,2)	104,151,692	90,729,327
Accrued Interest Receivable	1,408,435	1,611,980
Property and Equipment - Net (1,4)	3,411,406	2,935,700
NCUSIF Deposit (5)	2,848,812	2,982,758
Other Assets	1,544,030	833,780
<b>Total Assets</b>	<b>\$361,975,113</b>	<b>\$385,624,793</b>
<b>Liabilities</b>		
Accrued Dividends Payable	\$248,537	\$442,430
Notes Payable	10,028,933	35,050,188
Other Liabilities	2,515,767	2,120,092
<b>Total Liabilities</b>	<b>\$12,793,237</b>	<b>\$37,612,710</b>
<b>Equity</b>		
Members' Share Accounts (6)	\$306,353,371	\$308,074,268
Regular Reserve (1)	5,626,342	5,626,342
Merged Equity (1)	63,425	
Undivided Earnings	37,138,738	34,311,473
<b>Total Equity</b>	<b>\$349,181,876</b>	<b>\$348,012,083</b>
<b>Total Liabilities and Equity</b>	<b>\$361,975,113</b>	<b>\$385,624,793</b>

See Notes to Financial Statements.

## Statements of Income (Unaudited)

For the Years Ended December 31, 2010 and 2009

	2010	2009
<b>Operating Income:</b>		
Interest on Loans	\$16,363,074	\$17,498,167
Interest on Investments	2,185,922	2,294,700
Other Operating Income	3,138,886	3,381,219
<b>Total Operating Income</b>	<b>\$21,687,882</b>	<b>\$23,174,086</b>
<b>Operating Expenses:</b>		
Compensation and Benefits	\$7,004,992	\$6,647,361
Other Operating Expenses	5,646,819	5,579,416
<b>Total Operating Expenses</b>	<b>\$12,651,811</b>	<b>\$12,226,777</b>
<b>Non Operating Expenses:</b>		
Provision for Loan Losses (1,3)	\$1,640,076	\$3,182,973
<b>Total Expenses</b>	<b>\$14,291,887</b>	<b>\$15,409,750</b>
Income Before Dividends	7,395,995	7,764,336
Dividend Expense	3,357,215	5,951,601
Interest on Borrowed Money	462,493	627,774
<b>Non Operating Gains or Losses:</b>		
Gain/Loss on Investments		(2,000,000)
Gain/Loss on Disposition of Assets	(11,320)	(7,665)
NCUSIF Recapitalization		1,651,997
NCUSIF Impairment and Assessment	(737,702)	(2,099,411)
<b>Net Income</b>	<b>\$2,827,265</b>	<b>\$1,270,118</b>

See Notes to Financial Statements.

## 2. Investment Securities

The carrying value and approximate market value of the Credit Union's Investment portfolio as of December 31, 2010 and 2009 is as follows:

	December 31, 2010		December 31, 2009	
	Carrying Value	Market Value	Carrying Value	Market Value
Shares in other Credit Unions	\$6,825,991	\$6,825,991	\$8,077,323	\$8,077,323
U.S. Government Federal Agency Securities	46,276,623	46,315,441	22,502,889	22,893,505
Other Securities	51,049,078	51,758,878	60,149,115	60,659,847
<b>Total</b>	<b>\$104,151,692</b>	<b>\$104,900,310</b>	<b>\$90,729,327</b>	<b>\$91,630,675</b>

## 3. Loans and Allowance for Possible Loan Losses

The composition of the Credit Union's loan portfolio as of December 31, 2010 and 2009 is as follows:

	2010	2009
Fixed Rate Mortgages	\$70,604,773	\$88,668,415
Adjustable Rate Mortgages	41,252,954	39,205,062
Fixed Rate Consumer Loans	131,632,617	153,044,701
Adjustable Rate Consumer Loans	2,124,323	2,231,838
Business Loans	3,536,678	3,696,074
Loans - Gross	249,151,345	286,846,090
Allowance for Possible Loan Losses	(3,508,156)	(3,294,810)
<b>Loans - Net</b>	<b>\$245,643,189</b>	<b>\$283,551,280</b>

## 4. Property and Equipment

The composition of property and equipment at December 31, 2010 and 2009 is as follows:

	2010	2009
Land and Building	\$3,637,486	\$3,066,668
Computer Equipment	3,454,876	3,008,611
Furniture and Equipment	596,980	561,522
Total Cost	7,689,342	6,636,801
Less Accumulated Depreciation	(4,277,936)	(3,701,101)
<b>Property and Equipment - Net</b>	<b>\$3,411,406</b>	<b>\$2,935,700</b>

## 5. NCUSIF

The deposit of the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with the NCUA regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to 1% of its insurable shares, less any reportable impairment. The deposit would be refunded to the credit union if its insurance coverage is terminated, it converts its insurance coverage to another source, or the operations of the Fund are transferred from the NCUA Board.

## 6. Members' Share Accounts

The composition of the Members' Share accounts at December 31, 2010 and 2009 is as follows:

	2010	2009
Savings Accounts	\$125,436,767	\$109,085,537
Sharedraft Accounts	44,954,236	31,410,836
Commercial Accounts	19,967,094	4,439,999
Individual Retirement Accounts	33,610,968	35,907,013
Certificates of Deposit:		
12 to 60 month maturity at rates ranging from .45% to 5.35% at December 31, 2010	74,547,289	114,361,042
3 to 6 month maturity at rates ranging from .25% to .75% at December 31, 2010	7,837,017	12,869,841
<b>Total</b>	<b>\$306,353,371</b>	<b>\$308,074,268</b>

Members' Shares are the savings deposit accounts of the owners of the Credit Union. These accounts may be withdrawn at the discretion of the member according to the terms of the share account. Dividend rates are set by the Credit Union's Board of Directors. Share ownership entitles the member to vote in the annual election of the Board of Directors and on other corporate matters. Irrespective of the amount of shares owned, no member has more than one vote. The National Credit Union Share Insurance Fund (NCUSIF) insures members' shares up to \$250,000.

## SENIOR MANAGEMENT



Standing (left to right) : Francesco Mancini, Vice President, Finance/CFO; Michelle Silva, Vice President, Human Resources; Richard K. Boyd, Vice President, Lending; Seated (left to right) Tansley Stearns, Vice President, Sales and Service; John R. Edwards, President/CEO;

## MANAGEMENT STAFF

### **Dana Clark**

Assistant Vice President,  
Frontline Operations

### **Amy Stanton**

Assistant Vice President, Marketing

### **Bryan Woodward**

Assistant Vice President, Operations and IT

### **Barbara Bafumi**

Controller

### **Albert Otto**

Internal Auditor

### **Michael Giorgio**

Director of Information Services

### **Tamara Martin**

Director of Mortgage Lending

### **Wendy McLeod**

Director of Indirect Lending

### **Kathleen O'Connor**

Director of Consumer Lending

### **Lori Quido**

Director of Sales

### **Audrey H. Shelton**

Director of Sales and Service Training

### **Cheryl Calabrese**

Accounting Manager

### **Thomas Foster**

Collection Manager

### **Ryan Jetmar**

Orange Branch Manager

### **Melissa O'Connor**

Guilford Branch Manager

### **Frank Pomarico**

Wallingford Branch Manager

### **Edgardo Quinones Jr.**

New Haven Branch Manager

### **Jason Rochefort**

North Haven Branch Manager

### **Gezim Stroka**

Hamden Branch Manager

## BOARD OF DIRECTORS



**Fred Heimann**  
Chairman



**Kevin McNamara**  
Vice Chairman



**Dave Clark**  
Treasurer/Secretary



**Luba Grossman**



**Janet Hand**



**Paul Jenkins**



**Mari Power**



**Mary Semedo**



**Kevin Wetmore**



# Connex<sup>TM</sup>

## INSURANCE SERVICES

As a part of Connex Credit Union's commitment to offering a choice in the best possible services, we are a wholly-owned subsidiary and now offer property and casualty insurance products to both members and non-members through Connex Insurance Services.

This new service enhances our overall financial service offerings and allows for insurance needs to be satisfied at the same place members handle their finances.

**1-866-270-4866**   **[www.connexcu.org](http://www.connexcu.org)**

Insurance products and services are offered through a partnership with Southwest Business Corporation (SWBC). Located out of San Antonio, Texas SWBC has been serving financial institutions nationally for over three decades. Connex does not own or operate SWBC.

# UNBANK



## **Mailing Address**

P.O. Box 477  
North Haven, CT 06473

## **Branch Locations**

### **Guilford**

849 Boston Post Road

### **Hamden**

2100 Dixwell Avenue  
Hamden Plaza

### **New Haven**

2 Whitney Avenue  
555 Long Wharf Drive, 1st Floor

### **North Haven**

412 Washington Avenue

### **Orange**

212 Boston Post Road

### **Wallingford**

970 North Colony Road



Federally Insured by NCUA

 Equal Housing Lender

1-800-CR-UNION   [www.connexcu.org](http://www.connexcu.org)