Telhio Credit Union Annual Report - 2009

Irene Smith, Chairperson of the Board

Despite another challenging year with the continuing recession, increased unemployment, and low interest rates, Telhio Credit Union increased asset size, new members and employer groups served.

While Telhio did not participate in the controversial lending practices or riskier investments that triggered a number of economic issues, Telhio is impacted by the current situation. We are experiencing fluctuations in delinquency and increased loan losses as a result of the weakened economy. Lowered consumer confidence and coupled with increased job uncertainty is contributing to reduced loan demand. With this in mind, we are taking action to better position Telhio to withstand the current climate and subsequently ensure that Telhio remains a strong and secure institution.

It is an honor to be part of a credit union that continues to grow, expand, and develop new and improved products and services. Management and staff are committed to providing the types of financial services our members want and need. Member owners may take comfort in knowing that since 1934 their deposits are safe and secure. Telhio continues to be positioned the credit union of choice for Franklin County.

Leslie Bumgarner, President/CEO

Telhio will break ground on its’ seventh branch in 2010. This is a sign of our commitment to the membership, specifically those who reside or are employed in and around Grove City. The identification and prioritization of branch expansion/positioning opportunities will continue. Staff will be cognizant of the challenges associated with branch deployment and take into consideration existing branches which have perhaps outlived the companies they were originally constructed to serve.

As staff prepared for 2010, we discussed and subsequently agreed that our biggest objective is to find, to keep and to grow the right member. The second key objective is to communicate to our members these key marketing messages:

- safe and sound for over seventy-five years;
- open to everyone in Franklin County;
- share accounts insured at $500,000;
- ease of doing business;
- lending solutions.

Throughout 2009 and continuing into 2010, the management team will focus on credit risk mitigation, member relationships versus transactions, expense awareness and balance sheet growth to ensure an optimal capital level is maintained. It is important for us to understand the macroeconomic, market driven, competitive and strategic influences on the credit union’s business risks. Management will continue to direct staffs’ effort to:

- Expand physical presence in primary market to expand membership and deposit growth.
- Leverage technology and process improvements to enhance service; attract younger members and create cost efficiencies; integrating branch, call center and secured website.
- Balance growth of loans and deposits and increase fee income improving overall profitability.
- Develop a culture of innovation and teamwork.
Douglas McDowell, Treasurer

Fiscal 2009 is over and all eyes are focused on 2010. But, Telhio is proud of its achievements during 2009 and a few moments should be spent to recap the successes of this most difficult year.

Telhio’s Total Assets grew from $413MM to $422MM. As the economy did not encourage our members to borrow, members choose to save an additional $12.8MM with Telhio. These funds were placed in government secured investments on a short-term basis, as management expects borrowing demand to return in late 2010.

While keeping an eagle’s eye on the bottom line, the Telhio management team increased profit before provision expense by $1.2MM over fiscal 2008. This achievement was in tandem with opening a new branch office in Gahanna in an effort to provide more branch access to the membership.

Telhio participates in the highest level of combined federal and private share savings insurance available through the NCUA and the Excess Share Insurance Corporation (ESI). Members’ deposit accounts are insured up to $500,000.

I encourage each of you to understand the financials of your credit union. The staff has copies of Telhio’s audited financials available to any member at all offices and via Telhio’s web site, www.telhio.org/about.html. If you have any questions, please feel free to contact staff at any Telhio location.

Linda Kennedy, Chairperson of the Nominating Committee

This year’s nominating committee recommended three candidates to fill the three open positions for the 2010 Board of Directors. An election and request for proxy is conducted annually prior to the Telhio Annual Meeting. Balloting and Annual Meeting information was provided to all qualified voting members in the December paper statement and eStatements.

All members are equal owners of the credit union, regardless of deposit amount.

In this year’s election, members were encouraged to vote and provide a proxy statement on-line, or by phone. With 44,102 members eligible to vote as of the record date, 720 ballots and proxies were validated. Results were announced at the Telhio Annual Meeting held at 6:00 pm, March 22, 2010 at 96 N. Fourth Street, Columbus, Ohio. The Board of Directors is comprised of volunteers and will consist of 9 members for the calendar year of 2010.

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<th>2009 Board of Directors</th>
<th>2009 Supervisory Committee</th>
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<td>Irene Smith</td>
<td>Thomas J. James</td>
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<td>Larry Jackson</td>
<td>Renee A. Rainey</td>
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<td>Doug McDowell</td>
<td>Elizabeth Jones</td>
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<td>Andrew Marfurt</td>
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<td>Kathy Foor</td>
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<td>Linda Kennedy</td>
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