Riverfront
FEDERAL CREDIT UNION

Annual Report
2010

Growing Stronger *Together*

Board of Directors

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Director

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Director

Lynden Miller
Director

Beverly Livezey
Director

A message from the Chairman of the Board

Throughout 2010, the economy has moved ever slowly to a path of hopeful recovery. The credit crisis of the past few years has affected all credit unions to some degree, Riverfront is no exception. While we are a not-for-profit financial cooperative, we still need income to operate. While we rely on member lending, times have been tough; members remained cautious about borrowing. Low interest rates and soft loan demand affects our net interest margins. To increase our income margins, we must grow; growth is attained by adding new members and building a relationship with them and also by increasing our relationships with our current membership.

We are operating in an environment of increasing regulatory burdens and earning pressures. The Board of Directors and Executive Management must operate at peak performance to position the credit union for continued success and we will achieve these successes by continuing to balance meeting our members' needs and maintaining sound financial practices. We have not altered our basic business approach that we have used for years, remaining focused on our mission, vision and core values.

Despite the tight margins, slow growth and regulatory burdens that we are experiencing, we continue to remain financially strong and sound. We continue to use a conservative investment approach that balances risk and reward; by not having a portfolio heavy with long-term investments, positions us to reap the benefits of a rising rate environment. The credit union also uses sound loan underwriting practices and recovery processes and our cost of operations are managed exceptionally well. With these strong business practices, the Board again was able to declare to our members an *Extra Ordinary Bonus Dividend* and an *Interest Rebate* this past year as we have for the past several. There are not too many credit unions that are able to declare such an act that allows them to give back their successes to their members; this in itself is one indication of the sound financial position that we maintain year to year and one that the Board and Management are proud of. We also have received high ratings for safety and soundness from our examining bodies, that being our outside auditing firm and examinations from the National Credit Union Administration (NCUA).

The environment is also changing on how credit unions' board of directors operate and govern. Newly enacted regulations by the NCUA has increased the fiduciary responsibilities of the board; requiring us to be more focused on financial literacy for ourselves and risk management; that being the need for an adequate risk oversight and monitoring process.

Despite the challenges that we faced and will continue to face, we, the Board and Management, will continue to make strategic decisions with our members' best interests in mind, providing products and services that they need and will add value while maintaining a strong financial position for the future.

In a recent study by the U.S. Public Interest Research Group on financial institutions; one of their key recommendations from their studies is to "bank at a credit union, not a bank"; credit unions are member-owned, lower cost alternatives and offer the same core services. We need you our members to be advocates for Riverfront. Tell your family, relatives and friends about the credit union difference so that we may continue our successes together.

John W. Kline
Chairman of the Board

A message from the President/CEO

During the last three years, the financial services sector has faced unprecedented challenges. These challenges are broad-based and deeply rooted and it is probable that it will take several more years for an economic recovery to take hold. While there are early indications that a recovery is underway, it appears that meaningful jobs creation, especially in the manufacturing sector, will be needed to sustain it.

In this challenging environment, Riverfront has continued to grow profitably and is preparing to expand its business. For the three years ended December 31, 2010, our asset base increased by approximately $43 million or 35% and we maintained our excellent capital position. A credit union with a capital to asset ratio that exceeds 7% is considered to be well-capitalized by regulatory standards. Our capital to asset ratio approximated 11% at December 31, 2010.

We did an outstanding job managing our cost of operations last year. Operating expenses, excluding the expenses associated with the mandatory contributions to the Share Insurance and Corporate Credit Union Stabilization Funds, **decreased** by approximately 4%, when compared to 2009, and there were no reductions in staffing during the year.

Riverfront's investment portfolio continues to earn a rate of return that significantly exceeds that of our peer group, which is defined as federally insured credit unions with an asset base between $100 and $500 million. The yield on the portfolio exceeded the average yield for our peer group by 38% in 2010, which equates to incremental income of approximately $675,000.

It is important to note that we are not holding any securities, which have an inherently high level of risk in the portfolio. The fair value of Riverfront's portfolio exceeded its carrying value by approximately $1.5 million or 2% at December 31, 2010.

An independent public accounting firm that specializes in the credit union industry completes an annual audit of our financial statements. In addition, our federal regulator, the National Credit Union Administration, completed an examination of our operation during 2010. We received favorable reports from both organizations and neither one proposed any adjustments to our internal financial statements.

During the last four years we have returned $635,000 to our members in the form of an interest refund and bonus dividend. Members of record on December 31, 2010, received a bonus dividend equal to 3% of the dividends they received from the credit union during 2010 and an interest refund equal to 2.25% of the interest they paid to the credit union on their home-equity, automobile and personal loans. Tax-favored accounts such as an IRA or Educational Savings Account were also eligible for the bonus dividend. This program returns a portion of the credit union's earnings to our members, consistent with our cooperative organizational structure.

Our outlook for 2011 can best be categorized as cautiously optimistic. While consumer debt levels, depressed real estate values, and high unemployment will continue to present challenges, we are well-positioned for a rising interest rate environment and have effectively managed credit risk during the economic downturn.

It is our intention to hire several new management positions this year, which will help to position the credit union for the future. We recently procured some additional administrative office space to prepare for the restructuring. These offices will also house a training center and will be used for business continuity purposes, if the need arises.

Our staff recognizes that there will continue to be challenges and understands the commitment it will take to continue to grow the credit union profitably. I feel very fortunate that Riverfront is in a position to expand its business in the current economic environment and would like to thank my associates at the credit union for helping to make that possible.

Our Board of Directors, management team and all of the associates at the credit union deeply appreciate our members' support and will continue to work hard to enhance the value proposition that we offer to them in the form of convenient, affordable financial services. On behalf of our entire organization, I would like to thank you for your continued support, which enables us to "Grow Stronger Together."

Vincent Paolini, CPA
President and CEO

A message from the Supervisory Committee Chairman

The role of the Supervisory Committee is an important one and is similar in many respects to the role of an internal auditor. We serve to protect the interests of our members. We assume the responsibility for ensuring that a quality system of checks and balances is maintained. Our committee consists of five members and one associate member appointed annually by the Board of Directors.

The committee's primary duties and responsibilities include:

- Engaging an independent auditing firm to complete an annual audit of the credit union's financial statements.
- Monitoring regulatory compliance.
- Ensuring that the credit union's directors and staff fulfill their fiduciary responsibility.

In 2010 the Supervisory Committee completed the following:

- Performed surprise cash counts of tellers' cash drawers, vaults and ATM machines.
- Reviewed file maintenance and teller short/over reports.
- Reviewed loan files for compliance with internal and regulatory policies.
- Verified the accuracy of bank statement reconcilements.
- Reviewed expense accounts for employee and volunteer education, travel and conferences.

Irwin G. Levan
Supervisory Committee Chairperson

STATEMENT OF FINANCIAL CONDITION

December 31, 2010 and 2009

ASSETS	2010	2009
Loan to members, net	$ 51,570,922	$ 52,271,191
Cash and cash equivalnets	2,108,824	2,096,844
Interest bearing accounts	30,808,724	31,465,535
Securities available for sale	78,902,248	74,144,227
Accrued interest receivable	507,080	577,922
Property and equipment, net	749,711	823,452
NCUSIF deposit	1,447,923	1,323,773
Prepaid expenses and other assets	598,975	484,921
	$ 166,694,407	**$ 163,187,865**
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Members' shares & savings accounts	$ 146,337,821	$ 143,257,025
Accounts payable & accrued expenses	606,224	695,126
Total liabilities	**$ 146,944,045**	**$ 143,952,151**
Commitments and contingencies	-	-
Members' equity	19,750,362	19,235,714
	$ 166,694,407	**$ 163,187,865**