

## Treasurer's Report

After two very challenging years, Point Loma Credit Union's 2010 financial performance represented a solid turn for the better. The credit union again recorded negative net income during the year, but the loss was about half that of 2009. Through it all Point Loma Credit Union has remained a strong financial institution. But very weak loan demand in virtually all sectors of our market has kept the recovery for PLCU on a very slow pace that parallels the broader economic recovery in general. Although the cost of funds declined too, the sharp decrease in loan volume caused net interest income to decline by \$1.1 million compared to 2009. But loan loss expense declined by more than \$2.8 million and operating expenses decreased by \$0.7 million, which mitigated the loss substantially. Though a small number — and a declining one — many of our members still struggled to repay their loans on time during 2010.

Our total loan portfolio declined by over 10% during 2010, having declined by nearly 15% in 2009. The 2010 decrease was again mostly due to the lack of demand for auto loans and a further decline in real estate lending. No sector of our loan portfolio grew during the year. Share totals decreased slightly to just over \$401 million. The decline in shares combined with the decline in equity caused by the net loss drove the total assets figure down by \$7.7 million during the year, a decline of just over 1.6%. For the third consecutive year, the biggest component of growth in deposits occurred in checking accounts, indicating that a growing number of members are using PLCU as their primary financial institution. This is a very healthy sign of growing member usage of the credit union's services.

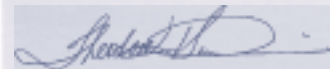
The net income figure for 2010 was negative \$1.4 million, which is a return on average assets ratio of negative 0.31%. The negative earnings, coupled with extraordinary costs recorded to stabilize the corporate credit union system, caused our net worth ratio to decline to 6.74% from 6.93% at the end of 2009. Although this classifies PLCU as an adequately capitalized credit union, the decline of 19 basis points in a year reflects an economic climate still in the very early stages of a recovery.

Even with these severe challenges, PLCU has in place sufficient capital reserves and new operating plans to persevere through the remainder of the current downturn and emerge an even healthier and stronger institution than before. We will continue to offer competitive rates to both borrowers and savers, and we will provide first-rate products and services to the entire membership. The Board of Directors, staff, and I look forward to helping PLCU continue to grow and prosper for many years to come.

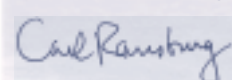


**Jeffrey M. Goecke**  
Treasurer

*"We, the undersigned, have reviewed these financial statements and, based on our knowledge, certify they fairly represent, in all material respects, Point Loma Credit Union's financial condition and results of operations."*



**Theodore H. Dennis, President/Chief Executive Officer**



**Carl Ransburg, Executive Vice President,  
Finance & Administration/Chief Financial Officer**

## Financials

### BALANCE SHEET

(As of December 31, 2010)

#### ASSETS

Cash and cash equivalents	\$6,944,665
Investments	152,631,397
Loans to Members (net)	282,361,513
Accrued Income	1,293,239
Fixed Assets	5,540,063
Share Insurance Deposit	3,935,249
Other Assets	12,298,993
<b>Total Assets</b>	<b>\$465,005,119</b>

#### LIABILITIES

Accounts Payable & Liabilities	\$32,605,058
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#### SHARES

Members' Shares	401,070,250
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#### EQUITY

Retained Earnings	31,329,811
<b>Total Liabilities, Shares &amp; Equity</b>	<b>\$465,005,119</b>

### STATEMENT OF INCOME

(Year Ending December 31, 2010)

#### INTEREST INCOME

Interest from Loans	\$18,742,649
Investment Income	1,382,103
<b>Total Interest Income</b>	<b>\$20,124,752</b>

#### INTEREST EXPENSE

Dividends on Members' Shares	\$2,568,147
Interest on Borrowed Money	1,353,000
<b>Total Interest Expenses</b>	<b>\$3,921,147</b>

<b>Net Interest Income</b>	<b>\$16,203,605</b>
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Provision for Loan Losses	\$6,912,448
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<b>Net Income after Loan Provision</b>	<b>\$9,291,157</b>
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Other Income	\$7,101,259
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<b>Net Income before Operating Expenses</b>	<b>\$16,392,416</b>
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#### OPERATING EXPENSES

Compensation & Benefits	\$8,452,752
Office Occupancy	2,025,627
Office Operations	4,743,383
Member Education & Promotion	369,682
NCUSIF Premium Assessment	1,021,193
Other Operating Expenses	1,211,202
<b>Total Operating Expenses</b>	<b>\$17,823,839</b>

<b>Net Income</b>	<b>(\$1,431,423)</b>
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### STATEMENT OF RETAINED EARNINGS

Balance December 31, 2009	\$32,761,234
Net Income	(1,431,423)
<b>Balance December 31, 2010</b>	<b>\$31,329,811</b>

## Volunteers and Staff

### Board of Directors

Salvatore J. Lupo  
**Chairman**

Malcolm C. McCollum  
**Vice Chairman**

Jeffrey M. Goecke  
**Treasurer**

Steven R. Auguston  
**Secretary**

James A. Baldwin

Dennis Hurst

Thomas A. Knight

Ellen M. Schmall, Director Emeritus

### Supervisory Committee

Mitchell B. Weingel  
**Chairman**

Ginger Lester  
**Secretary**

Dr. Kenneth Campbell

Stephen Ezakovich

Dr. Tony Lopez

### Executive Management

Theodore H. Dennis  
**President/Chief Executive Officer**

Carl Ransburg  
**Executive Vice President,  
Finance & Administration/Chief Financial Officer**

David R. Brooke  
**Executive Vice President,  
Operations/Chief Operating Officer**

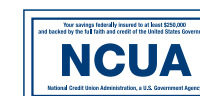
Matthew G. Mower  
**Vice President,  
Information Technology/Chief Information Officer**

Peter S. Butler  
**Vice President, Lending**

Deborah L. Foley  
**Vice President, Retail Operations**



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## 2010 ANNUAL REPORT





## Chairman's and President's Report

As the nation emerges from three years of economic challenges, it's reassuring to know that your member-owned credit union continues to have the financial strength to meet the borrowing and savings needs of its members. It's also good news that employment and consumer confidence are improving, and economic activity is slowly increasing. In fact, California employment numbers are expected to grow 1% this year, following a 1.5% decline last year.

### There is still much to do

Despite modest improvements, California still has some of the highest unemployment and foreclosure rates in the country. Additionally, the state and many local governments face sizeable deficits. To stem the red ink, many are laying off employees and reducing services. Until consumers are confident and normal economic activity returns, the recovery will continue to be gradual, and challenges will remain. Fortunately, current economic indicators and trends suggest that the most difficult days may be behind us.

### We are ready to help

PLCU remains ready, willing and able to help our members improve their personal financial situations in the months ahead.

During 2010, our members cut back on big-ticket purchases, and curtailed borrowing for autos, personal needs and credit cards. Of course, this resulted in fewer credit union loans and reduced income from member loans.

Instead, many members focused on paying down debt and reducing borrowing costs. For instance, our 10-, 15- and 20-year mortgage refinance programs allow members to own their homes years sooner, mortgage-free. Not only that, they are saving thousands of dollars with our lower rates. And, for many, refinancing also reduced their monthly payment. These and other popular programs made mortgages the largest portion of our lending portfolio last year at \$213 million.

While some members found they could refinance loans with us to improve their cash flow and lower lending costs, others faced more serious challenges due to unemployment and furloughs. PLCU provides all members with free, confidential financial counseling services through our partnership with BALANCE, a respected financial fitness program for credit union members nationwide. Their counselors provide information and assistance to help members resolve financial challenges, and to set and achieve realistic financial goals.

We regularly encourage members to review and improve their financial lives. Last year, we hosted a variety of free financial seminars at several of our branches. Topics included financial planning, reducing debt and preparing for retirement.

### Providing extra value

Regardless of members' income, age or employment status, our goal is to deliver solid value. That's why our Ultra Rewards Checking program continued to grow in popularity. Our Ultra Rewards Checking is free, earns dividends, provides free transactions at 28,000 CO-OP ATMs, and offers monthly rebates of up to \$10 for ATM fees.

Combining value with being green, our green loans finance home upgrades for Energy Star appliances, energy-efficient windows, and renewable energy sources like solar panels that benefit both members and our environment. We also give members a loan discount when they finance a "green car" with EPA mileage ratings of at least 32-MPG highway, selected diesel vehicles, or flexible dual-fuel, electric, ethanol, compressed natural gas and fuel cell powered vehicles. In honor of each green loan funded, a tree was planted in the member's name.

Members also valued our Sharper Image Loan to pay for important vision, dental and cosmetic procedures. And members who used short-term financing from their medical provider were able to refinance it with our Sharper Image Loan at an affordable monthly payment.

### Growing members organically

It's not a coincidence that personal referrals from our members resulted in more than 500 of their neighbors, family members and co-workers joining the credit union during our popular 2010 member referral campaigns. That's because PLCU is a true, non-profit, member-owned partnership. We balance the borrowing and savings needs of members to ensure we meet and protect the interests of both.

Our strength lies in this unique partnership. We provide the quality service, value and products members need, and they choose us first for their borrowing and savings needs. We are proud that personal recommendations have been a mainstay of our growth and stability over the years.

### Community partnerships

We are proud that our tradition of service and partnership extends to our community. Last year we continued our support of worthwhile programs. These included heart health, breast cancer research and treatment and the Children's Miracle Network.

We also supported the San Diego County Office of Education's Migrant Education Program, which provides early childhood education, parenting, adult literacy and basic financial education to migrant families in our

community. Additionally, our San Marcos branch hosted the first Mobile Technology Unit in California, a vehicle equipped with computers and a financial corner with PLCU information, to serve county migrant families.

And, we again awarded scholarships of \$2,500 each to three deserving high school seniors. These scholarships are unique in that they offer recipients incentives to complete their education. They can receive additional awards by successfully completing their freshman, sophomore and junior years. Since its inception in 1998, our scholarship program has helped to fund education of tomorrow's leaders, awarding nearly \$160,000 to 39 deserving students.

### Looking ahead

This year we plan to introduce new services to meet the changing needs of our members. An easier way to apply for a mortgage from your home or office allows us to help borrowers lock in current rates and terms at their convenience. We also plan to introduce more high-quality, customized insurance programs exclusively for credit union members through our partnership with CUNA Mutual Group.

### Thank you

Regardless of challenges we face, we exist to serve the financial interests of you, our members. PLCU remains strong with more than 48,600 members, more than \$465 million in assets, and reserves of \$31.3 million. We know that you have many options when it comes to choosing a financial institution. We appreciate your membership and remain committed to providing you outstanding service and value throughout 2011 and beyond.

**Salvatore J. Lupo**

Chairman, Board of Directors

**Theodore H. Dennis**

President/Chief Executive Officer

## Supervisory Committee Report

The Supervisory Committee is a five-member volunteer committee that is elected by the membership of Point Loma Credit Union (PLCU). The Supervisory Committee represents the membership's interests by ensuring:

- Assets are properly safeguarded;
- Policies and procedures are in place;
- Internal controls are effective;
- Applicable laws and regulations are followed; and
- The credit union's financial condition is fairly presented in accordance with generally accepted accounting principles.

The Supervisory Committee engaged the certified public accounting firm of Orth, Chakler, Murnane and Co., CPAs, to conduct a routine verification of a sample of member accounts as of December 31, 2010, and to perform an independent audit of PLCU's December 31, 2010, financial statements.

Additionally, the Supervisory Committee engages Ms. Karen Olason (PLCU's Director, Internal Audit and Compliance) to assist with its ongoing oversight responsibilities. Internal audit duties involve daily monitoring of PLCU's internal control environment and compliance activities, as well as performing periodic audits of the credit union's operations. Ms. Olason meets with the Supervisory Committee regularly to report observations and recommendations.

Based upon the audits conducted, the Supervisory Committee is pleased to report that the financial statements presented are a fair and accurate assessment of PLCU's financial position as of December 31, 2010. Not only is PLCU financially sound, but it operates within a strong internal control environment that also ensures compliance with applicable laws and regulations.

The Supervisory Committee extends its gratitude to the members, staff, and elected officials of PLCU. As PLCU continues to provide members with a safe and sound financial environment, we look forward to serving you throughout 2011.

**Mitchell B. Weingel**

Chairman