

# 2007 Annual Report



Serving you for  
**60 Years**  
**POINT LOMA**  
**CREDIT UNION**  
*Guiding you to your future.*

# Chairman's and President's Report

This is a special year for Point Loma Credit Union, as we celebrate 60 years of providing members with outstanding financial service. During this time, we have grown into a strong, stable financial institution by adhering to the principles established at our founding: Always give our members the best financial value while treating them as the friends and neighbors they are.

Before we review the current year, a 60th anniversary is a good time to look back to our beginnings. In 1948:

- Gas was 26¢ a gallon
- Postage stamps cost 3¢
- Average annual salary was \$3,600 and minimum wage was 40¢ an hour
- The average car cost \$1,550
- Only one in ten Americans had even seen a television



Also in 1948, a small group of employees from the Navy Electronics Laboratory in San Diego, which eventually became the Space and Naval Warfare Systems Center, founded Point Loma Credit Union. Today's members might not recognize that small credit union — with a tackle box to store deposits and business conducted exclusively during the lunch hour.

Back then, just as today, the financial world for the average consumer was a challenge. For example, banks didn't make small consumer loans. Or, if you traveled on business as a civil servant, you had to pay your own expenses and wait to be reimbursed. This put a strain on families and Point Loma Credit Union knew it could help. Our core mission remains the same as it was 60 years ago: *To provide members with low-cost loans and a safe place to deposit funds.*

Three months after opening, PLCU had 114 members and a growing reputation for helping the average person. This is the “*people helping people*” approach that sets all credit unions apart from profit-driven banks. Much has changed since 1948, but our values, mission and purpose remain exactly the same.

One significant change is our field of membership. We now serve all of San Diego and Riverside counties, with 15 branches and a complete line of financial services that continually expands to meet the changing needs and demands of our members.

A more recent change is driven by consumers looking for ways to be greener. Long ago we established an effective internal recycling program. Last year, we introduced Green Loans to make it affordable to upgrade to energy-efficient appliances, replace inefficient windows, and more. And our green auto loans give you discounts for purchasing fuel-efficient or alternative fuel vehicles.

For every Green Loan funded, we arranged for BeGreenNow to plant a tree in the borrower's name. We're pleased that our Green Loan has been well received.

We anticipate robust new funding in our auto loans in 2008, spurred by a special 60th anniversary gift; each member who takes out a new, used or refinanced auto loan will receive a free \$60 gas card.

*Our core mission remains the same as it was 60 years ago: To provide members with low cost loans and a safe place to deposit funds.*

Of course, PLCU is more than just low-cost loans. We're also the credit union you turn to for every day financial needs, such as checking accounts and check cards. In 2007 we made Bill Pay Online free with every checking account. We hope this will encourage more members to take advantage of this remarkably convenient and safe service to manage accounts online.

While many members prefer online access, we appreciate that sometimes a visit to the branch is the most convenient way to conduct your business. In 2007, our Rancho Bernardo branch relocated to a bigger and more convenient location. Members in the Coachella Valley can now conduct business closer to home; our 15th branch opened in Palm Desert in December.

We are a financial institution for the family, so a major highlight of last year was the introduction of a comprehensive youth program.

It starts with our Looney Tunes Savings Club™ for children up to 12 years of age. Next is the Starting Point Account, which introduces teens to financial responsibility and helps them make sound money decisions, under parental supervision.

Our Young Adult Account, for members 18 to 23 years of age, adds eligibility for practical loans to help young people build good credit records. Starting Point and Young Adult accountholders receive a complimentary subscription to *brass*, a financial magazine produced by and for young adults. It has been very well received by both our young members and their parents.

# Supervisory Committee Report

Another way we support young members is by helping further their educations. For the tenth year, PLCU awarded three \$2,500 scholarships to graduating high school members. Recipients are also eligible for additional awards of \$1,000 per year for their sophomore, junior and senior years.

In order to be your true financial partner, we go beyond just the basics. Our members have come to appreciate perks such as a custom PLCU Member Discount Program that offers exclusive discounts at more than 80 popular local merchants throughout San Diego and Riverside counties.

Another member-only perk is our program of free financial education seminars on a variety of topics, including preparing for retirement, learning to budget, and understanding a credit report, just to name a few. These seminars reinforce a basic philosophy: We are here not just to provide financial services, but also to help our members attain overall financial wellness and stability.

Our focus has been to address our community's changing financial needs. An example is subprime mortgage lending. Although we did not participate in the flurry of these loans made by other lenders, the resulting crisis has made it difficult for even creditworthy borrowers to purchase homes. At our seminars, we educate members as to how they can still achieve their goal of homeownership.

No review of 2007 would be complete without acknowledging the slowing economy and uncertain times. As PLCU has been during previous downturns, we're here to help all of our members in any way possible.

For members who face financial difficulties we offer, at no cost, BALANCE, a financial counseling service. BALANCE can work with you to overcome unmanageable debt by creating budgets and sensible repayment plans. We encourage you to take advantage of this important free service.

Your credit union grows stronger when more people join and use our services. We stimulated growth last year with two successful membership drives. Knowing that the best advertising is word-of-mouth, we urged members to refer their eligible family members, friends, neighbors and co-workers.

We take great pride in our community involvement. As in previous years, we participated in over 60 community events throughout San Diego and Riverside counties.

Looking ahead, we will continue to find ways to provide you with even greater value, convenience and service. Just as it did in 1948, our success today depends on your participation, and we are constantly striving to earn your support.

Thank you for choosing PLCU to serve your financial needs.



Malcolm C. McCollum  
**Chairman, Board of Directors**



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

The Supervisory Committee is a five-member volunteer committee that is elected by the membership. The Supervisory Committee represents the membership's interests by ensuring:

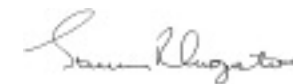
- Assets are properly safeguarded;
- Policies and procedures are in place;
- Internal controls are effective;
- Applicable laws and regulations are followed; and
- The credit union's financial condition is fairly presented in accordance with generally accepted accounting principles.

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, 2007, and to perform an independent audit of PLCU's December 31, 2007, financial statements.

The Supervisory Committee engages Ms. Karen Olason (PLCU's Director, Internal Audit), to assist with its ongoing oversight responsibilities. She is assisted by Judy Richardson, a member of the Internal Audit team. The Internal Audit team 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 their 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 Point Loma Credit Union's financial position as of December 31, 2007. 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 Point Loma Credit Union. As PLCU continues to provide members with a safe and sound financial environment, we look forward to serving you again throughout 2008.



Steven R. Auguston  
**Chairman**

## Treasurer's Report

Financial institutions across the nation faced another very challenging year during 2007. The actions of the Federal Reserve and highly competitive markets for deposits and loans kept operating margins extremely thin, minimizing the difference between yields on earning assets and the cost of funds. Declining property values, uncertainty and liquidity concerns in worldwide capital markets, and record high energy prices all contributed to an operating environment fraught with peril. Nonetheless, Point Loma Credit Union maintained its financial strength throughout the year and remained in a strong position to continue operating successfully in this challenging environment. Narrow interest margins and recurring operating costs of our branch network kept the overall 2007 financial performance at slightly below the levels of 2005 and 2006.

PLCU began 2007 with \$482.8 million in assets and ended the year at \$470.3 million, a decrease of \$12.5 million. Our membership count decreased to 58,886 from the 2006 year-end count of 60,556, as we purged our database of inactive member records. Shares decreased to \$398.2 million at year end from \$411.5 million, a decrease of \$13.3 million. Money management account balances ended the year at \$125.2 million, a decrease of \$7.0 million. This continues a declining trend since 2005 after four prior years of steady growth. Anecdotal evidence indicates that many members moved short-term liquid funds into higher yielding financial instruments during 2007. Share certificate balances ended the year at \$121.4 million, up from \$113.5 million at the end of last year. This is an increase of \$7.9 million. Members received dividends of \$11.9 million during 2007, which is an increase of \$1.2 million from 2006. PLCU continues to offer very competitive rates on all deposit products.

PLCU began 2007 with \$402.6 million in total loans to members and ended with \$408.7 million, an increase of \$6.1 million. Although expected, substantial declines in consumer loans and leases exceeded our strong growth in real estate and business loans. Our loan-to-share ratio remains quite high, compared to the industry averages, at 103%. Our year-ending delinquency rate for 2007 was 1.01%, which is an increase from the 2006 year-ending figure of 0.50%.

Net income was a loss of \$696,000, which is a return on average assets (ROA) of negative 0.15%. Our capital remained above industry standards in 2007, as it has every year for the past several years. PLCU now has \$45.1 million in capital, and our regulatory agencies consider Point Loma Credit Union to be well capitalized.

Our capital reserve is a sign of PLCU's strength. With our record of continued strength and our plan for continued expansion of services, I am confident that 2008 will bring further financial success. We will continue to offer highly 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.



Salvatore J. Lupo  
**Treasurer**



## Volunteers and Staff

### Board of Directors

Malcolm C. McCollum  
**Chairman**

James A. Baldwin  
**Vice Chairman**

Thomas A. Knight  
**Secretary**

Salvatore J. Lupo  
**Treasurer**

Dennis Hurst

Philip R. Lazar

Ellen M. Schmall

### Supervisory Committee

Steven R. Auguston  
**Chairman**

Jeffrey M. Goecke  
**Secretary**

Dr. Tony Lopez

Terry Sampitè

Mitchell B. Weingel

### Executive Management

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

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

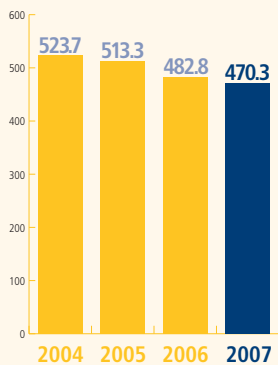
David R. Brooke  
**Executive Vice President,  
Operations / Chief Operating Officer**

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

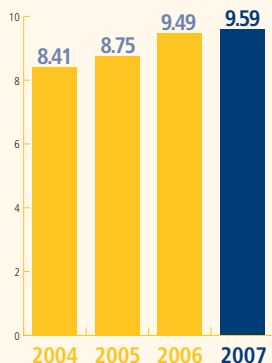
Peter S. Butler  
**Vice President, Lending**

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

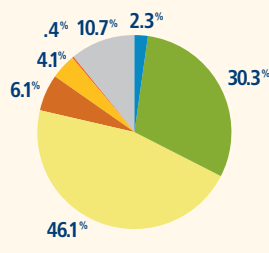
# Financials



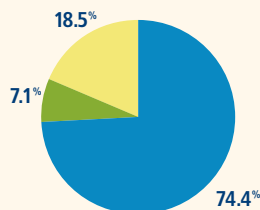
**Assets**  
(in millions)



**Capital / Assets Ratio**  
(percentage)



**Distribution of Loans**



**Distribution of Income**

## BALANCE SHEET

(As of December 31, 2007)

### Assets

Cash and Cash Equivalents	\$5,624,644
Investments	36,431,978
Loans to Members (net)	405,567,453
Accrued Income	2,014,711
Fixed Assets	7,961,162
Share Insurance Deposit	3,771,607
Other Assets	8,913,532

**Total Assets** **\$470,285,087**

### Liabilities

Accounts Payable & Liabilities	\$27,006,179
--------------------------------	--------------

### Shares

Members' Shares	398,176,649
-----------------	-------------

### Equity

Retained Earnings	45,102,259
-------------------	------------

**Total Liabilities, Shares & Equity** **\$470,285,087**

## STATEMENT OF INCOME

(As of December 31, 2007)

### Interest Income

Interest from Loans	\$26,670,473
Investment Income	2,532,955

**Total Interest Income** **\$29,203,428**

### Interest Expense

Dividends on Members' Shares	\$11,907,594
Interest on Borrowed Money	1,039,637

**Total Interest Expenses** **\$12,947,231**

Net Interest Income	\$16,256,197
Provision for Loan Losses	\$3,280,525

**Net Income after Loan Provision** **\$12,975,672**

Other Income	\$6,646,446
--------------	-------------

**Net Income before Operating Expenses** **\$19,622,118**

### Operating Expenses

Compensation & Benefits	\$9,620,205
Office Occupancy	1,954,275
Office Operations	6,092,634
Member Education & Promotion	762,940
Other Operating Expenses	1,887,761

**Total Operating Expenses** **\$20,317,815**

**Net Income** **-\$695,697**

## STATEMENT OF RETAINED EARNINGS

Balance December 31, 2006	\$45,797,956
Net Income	-695,697

**Balance December 31, 2007** **\$45,102,259**

*"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 F. Ransburg  
**Executive Vice President,  
Finance & Administration / Chief Financial Officer**

# Branches

## Carlsbad

### Simin Bruck, Manager

6971 El Camino Real, Suite 102  
Mon–Thu, 9 am–5 pm; Fri, 10 am–6 pm

## Catalina

### Arthur Javier, Manager

200 Catalina Blvd.  
Mon–Fri, 9 am–5:15 pm

## Corona

### Michelle Chavarria, Manager

577 N. McKinley, Suite 103  
Mon–Thu, 9 am–5 pm; Fri, 10 am–6 pm

## El Cajon

### Karen McCarthy, Manager

780 Jamacha Rd.  
Mon–Thu, 9 am–5 pm; Fri, 10 am–6 pm

## Kearny Mesa

### Marie Rodriguez, Manager

9420 Farnham St.  
Mon–Fri, 9 am–6 pm

## National City

### Graciela Guillen, Manager

3003 Highland Ave., Suite C  
Mon–Thu, 9 am–5 pm; Fri, 10 am–6 pm  
Sat, 9 am–1 pm



Your savings federally insured to at least \$100,000 and backed by the full faith and credit of the United States Government.

# NCUA

National Credit Union Administration, a US Government Agency

## Oceanside

### Nora Parker, Manager

2178 Vista Way, Suite E-5  
Mon–Thu, 9 am–5 pm; Fri, 10 am–6 pm  
Sat, 9 am–1 pm

## Palm Desert

### Diana King, Manager

34460 Monterey Ave., Suite 105  
Mon–Thu, 9 am–5 pm; Fri, 10 am–6 pm  
Sat, 9 am–1 pm

## 4S Ranch / Rancho Bernardo

### Carol Corey, Manager

10413 Craftsman Way, Suite 102  
Mon–Thu, 9 am–5 pm; Fri, 10 am–6 pm  
Sat, 9 am–1 pm

## Riverside

### Lety Sanchez, Manager

19510 Van Buren Blvd., Suite F-6  
Mon–Thu, 9 am–5 pm; Fri, 10 am–6 pm  
Sat, 9 am–1 pm

## Rosecrans — Virtual Branch

### Deborah Clow, Manager

SSC San Diego Bayside

## San Marcos

### Juli Sperla, Manager

344 South Twin Oaks Valley Rd., Suite 151  
Mon–Thu, 9 am–5 pm; Fri, 10 am–6 pm  
Sat, 9 am–1 pm

## Silvergate — Virtual Branch

### Arthur Javier, Manager

SSC San Diego Topside

## Sports Arena

### Deborah Clow, Manager

3777 Sports Arena Blvd.  
Mon–Thu, 9 am–5 pm; Fri, 9 am–6 pm  
Mon–Thu, extended walk-up hours until 6 pm  
Sat, 9 am–1 pm  
Extended walk-up hours until 3 pm

## Temecula

### Jessica Smith, Manager

27544 Ynez Rd., Suite Q-1  
Mon–Thu, 9 am–5 pm; Fri, 10 am–6 pm  
Sat, 9 am–1 pm

## CALL CENTER

### Janet Roach, Manager

858/ 495–3400 · 888/ 495–3400  
Fax 858/ 495-3416  
Mon–Fri, 7 am–6 pm; Sat, 9 am–1 pm

## WEB

[www.plcu.com](http://www.plcu.com)

## E-MAIL

[infocntr@plcu.com](mailto:infocntr@plcu.com)



9420 Farnham Street • San Diego CA 92123-1321