

2009  
ANNUAL  
REPORT



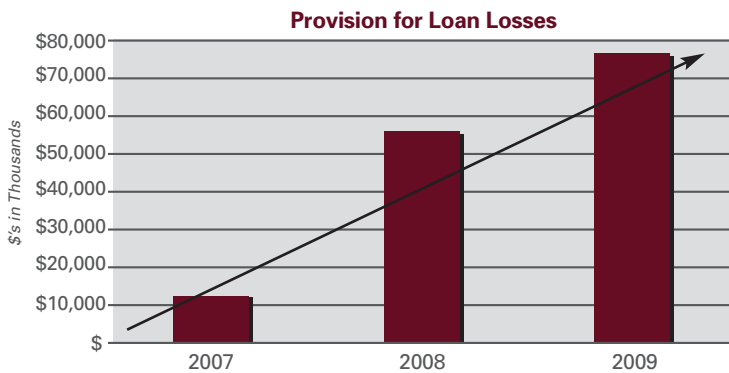
ARROWHEAD  
CREDIT UNION

# JOINT REPORT FROM THE CHAIRMAN AND PRESIDENT

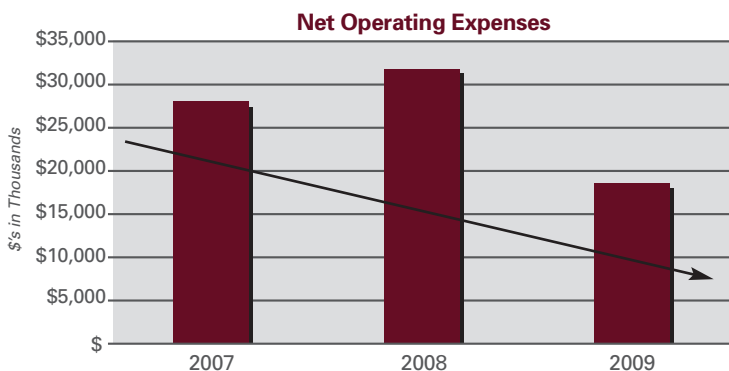
When we look back on 2009, we will remember it as a year of challenges, not just for Arrowhead Credit Union but for our members and our communities. The simple truth is the global economic recession has had a significant impact locally on the Inland Empire.

The definition of “persevere” is to continue steadfastly in spite of obstacles. Arrowhead Credit Union has persevered through one of the deepest recessions in our 60 year history by continuing to serve our members through these economic realities we are all facing.

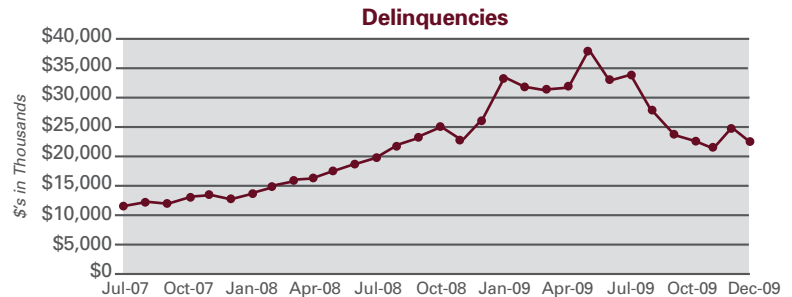
With an unemployment rate of more than 14% and a record number of under-employed, many of our members had difficulty in meeting their loan obligations. Because of this factor, we had a total expense of nearly \$77 million as a Provision for Loan Losses accounting for our net loss of over \$44 million in 2009.



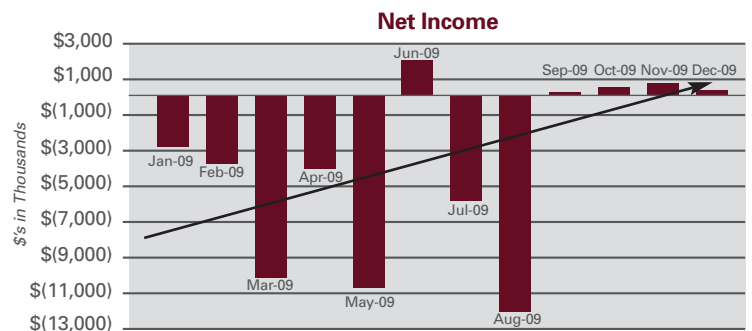
Adapting to the financial environment means taking the necessary steps even when the decisions are difficult. We have worked diligently on the factors within our control. For example, we reduced our net operating expenses by more than 39%, representing a savings of more than \$12 million, while still maintaining our high standards of member service.



Throughout the last year we have made it a priority to work with our members to find real solutions tailored to their specific needs. As a result we saw the number of delinquencies trending downward.



We are confident that we are in an environment of improving financial conditions, including rebuilding our capital position. Arrowhead Credit Union ended the year with four straight months of profitability, earning more than \$1.7 million in the fourth quarter. The impact to our net worth was significant over the past 18 months, but we are committed to restoring it to the necessary levels that will sustain our members in the future.



Arrowhead Credit Union and our employees have always been dedicated to the communities we serve. Examples of this include our participation in the 2nd Annual Believe & Walk for a Cure where the Arrowhead Walk Team, together with member donations, raised more than \$18,000 for the Loma Linda University Cancer Center. The 2009 United Way campaign raised over \$54,000 through employee pledges and contributions. Employees also gave their time, donating more than 1,500 hours to dozens of local charitable organizations.

The prospects for better financial times are on the horizon. In 2010, we will continue to diligently apply the standards of excellence that have helped our members for over 60 years. We thank you for your membership at Arrowhead Credit Union.

Marie A. Alonzo  
Chairman of the Board

Larry R. Sharp  
President/CEO

# FINANCIAL REPORT

<b>Balance Sheet</b>	<b>2009</b>	<b>2008</b>
<b>Assets</b>		
Cash & Cash Equivalents	\$ 125,964,190	\$ 63,972,233
Investments	22,493,945	5,844,975
Loans	705,113,608	889,759,773
Allowance for Loan Losses	50,364,008	29,904,500
Loans Net of Allowance	654,749,600	859,855,273
Land & Buildings	15,941,077	17,229,216
Property & Equipment	3,037,825	4,503,318
Other Assets	29,574,086	25,611,084
<b>TOTAL ASSETS</b>	<b>\$ 851,760,723</b>	<b>\$ 977,016,098</b>
<b>Liabilities &amp; Equity</b>		
Shares	\$ 788,953,417	\$ 797,240,464
Other Liabilities	38,254,284	113,618,575
Total Liabilities	827,207,701	910,859,039
Regulatory Equity	29,338,110	73,911,025
Unrealized Gain(Loss) Inv.	12,162	(508)
Other Comprehensive Income	(4,797,250)	(7,753,457)
Total Equity	24,553,022	66,157,059
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$ 851,760,723</b>	<b>\$ 977,016,098</b>

<b>Income Statement</b>	<b>2009</b>	<b>2008</b>
<b>Interest Income</b>		
Interest on Loans	\$ 58,188,828	\$ 69,970,626
Interest on Investments	290,668	583,731
<b>TOTAL INTEREST INCOME</b>	<b>\$ 58,479,497</b>	<b>\$ 70,554,357</b>
<b>Interest Expense</b>		
Dividends on Shares	\$ 6,061,515	\$ 10,363,828
Interest on Borrowed Funds	843,845	3,429,475
<b>TOTAL INTEREST EXPENSE</b>	<b>\$ 6,905,360</b>	<b>\$ 13,793,303</b>
<b>Net Interest Income</b>	<b>51,574,137</b>	<b>56,761,054</b>
Provision For Loan Losses	76,996,133	53,651,002
<b>Net Interest Income After Provision for Loan Losses</b>	<b>\$ (25,421,997)</b>	<b>\$ 3,110,052</b>
<b>Other Income</b>		
Fees & Charges	\$ 14,509,058	\$ 14,350,797
Other Operating Income	25,369,931	24,103,134
Other Income	5,496,395	(883,991)
<b>TOTAL OTHER INCOME</b>	<b>\$ 45,375,384</b>	<b>\$ 37,569,939</b>
<b>Operating Expense</b>		
Compensation & Benefits	\$ 29,911,768	\$ 36,354,443
Occupancy	6,486,952	7,104,367
Office Operations	15,224,060	16,357,079
Marketing & Promotion	1,412,262	3,074,626
Loan Processing	996,972	1,496,863
Professional & Outside Services	1,326,086	1,374,071
Other Operating Expenses	9,191,815	3,475,752
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>\$ 64,549,915</b>	<b>\$ 69,237,201</b>
<b>Net Operating Expense</b>	<b>19,174,531</b>	<b>31,667,262</b>
<b>Income Before Tax</b>	<b>(44,596,528)</b>	<b>(28,557,210)</b>
<b>Income Tax</b>	<b>(23,613)</b>	<b>81,205</b>
<b>NET INCOME (LOSS)</b>	<b>\$ (44,572,915)</b>	<b>\$ (28,638,415)</b>

## BOARD OF DIRECTORS

Marie A. Alonzo, *Chairman*  
Martha R. Williams, *Vice Chairman/Director*  
Douglas W. Hallen, *Treasurer/Director*  
Errol J. Mackzum, *Secretary/Director*  
Henry C. De La O, *Director*  
James A. Ferguson, *Director*  
Kathleen A. Finazzo, *Director*  
Robert C. McNitt, *Director*  
Grace L. Tobin, *Director*

## SUPERVISORY COMMITTEE

Janet M. Contreras, *Chairman*  
Marin B. Roberts, *Member*  
Fred E. Shorett, *Member*



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