

ANNUAL REPORT

2008

RIVERFRONT FEDERAL CREDIT UNION



Board of Directors

John W. Kline
Chairman

Larry Mengel
Vice Chairman

Ginger Thomas
Treasurer

Michael J. Pantaleo
Secretary

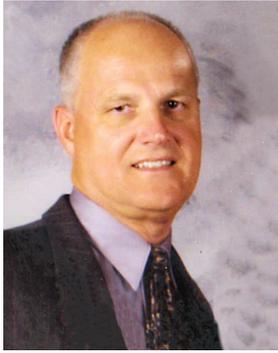
Roy Towles
Director

John L. Bernheiser
Director

Noah Seyfert
Director

Lynden Miller
Director

Timothy Murray
Director



A message from the Chairman of the Board

Riverfront, as is all credit unions, is connected to our members through service and ownership. As not-for-profits, we have no obligations to stock holders that demand profits. Credit Unions continue to exist by keeping our purpose constant: that of promoting thrift among our members and providing value without the focus on profit.

This year is a year of many historic celebrations for credit unions and the credit union movement. The first U.S. credit union was formed 100 years ago. The Credit Union National Association (CUNA) and the passing of the Federal Credit Union Act celebrate their 75th anniversary along with the Pennsylvania Credit Union Association. However, the most significant anniversary is the completion of Riverfront's 60th year of service to our members. The principles, "to provide affordable financial services to people of modest means", that Riverfront, as well as, all of the above mentioned associations had when formed still hold true today and will after many more anniversaries.

With a historic financial crisis at hand, consumer confidence in the financial system is at an all time low and some members are facing tough times. I would like to assure you of the safety and soundness of Riverfront and the credit union system. Credit unions fund a very well-capitalized and safe federal deposit insurance system (NCUSIF) that now insures your individual deposits up to \$250,000. Credit unions insured by the NCUSIF must meet high standards of safety and soundness which is determined regularly by federal examiners and by an outside auditing firm that is hired yearly by our Supervisory Committee which is the internal auditing arm of the credit union. Each of these has given Riverfront high marks for safety, soundness and for the management of the credit union.

By being a non-profit, we are able to focus on member service over investor profits. We have avoided placing our members' assets in financially compromising positions. While other financial institutions are tightening lending standards we have retained our same sound underwriting policies that we have used for years. Because our lending standards have never changed, our members were not exposed to the bad loans that have hurt others.

Our unique structure and conservative lending and investment standards ensure that as members of the Board of Directors we can act in the best interest of our members which enables us to place our emphasis on member value.

We are proud of our difference. We have had the ability to pay competitive or higher dividend rates and charge competitive or lower loan rates; we again had the ability to declare and pay to our members an extra-ordinary dividend and interest rebate during this period of economic uncertainty. This achievement is one that confirms the commitment the board and management has to our members and validates our sound business practices that we follow.

Let me again assure you that Riverfront is financially sound and strong and well reserved. We have services and technologies not even imagined 60 years ago and we provide services far more conveniently than ever before. We have the same philosophy that we had 60 years ago and that which created the credit union movement 100 years ago: to provide real value and solid reliable financial assistance to all deserving members.

The Board pledges to be consistently competent as you place your money and trust in Riverfront.

A handwritten signature in black ink that reads "John W. Kline". The signature is written in a cursive, flowing style.

John W. Kline
Chairman of the Board



A message from the President/CEO

2008 was the most challenging year for the financial services industry since the Great Depression. A number of factors converged to form the "perfect storm." If there were any doubts about the scope and magnitude of the challenges facing the financial sector, they were eliminated in September when Fannie Mae and Freddie Mac were placed into conservatorship and one of the largest commercial banks in the country failed.

In an environment that can only be categorized as unprecedented, Riverfront has continued to grow profitably, which I can assure you is no small feat. Our net operating income and capital to asset ratio as measured by industry recognized standards continue to be excellent.

Riverfront's investment portfolio, which has never included any Collateralized Debt Obligations (CDOs), Structured Investment Vehicles (SIVs) or any other securities that have an inherently high level of risk, had an unrealized gain of approximately \$1.5 million or 2.3% of its carrying value at December 31, 2008. A comparably sized portfolio for our peer group was carried at an unrealized loss of approximately \$200,000 as of that date.

In addition, we have effectively managed the risks that are inherent in our lending operation and have continued to conservatively fund the Allowance for Loan Losses.

Our federal regulator, the National Credit Union Administration (NCUA), did require each federally insured credit union to make an additional contribution to the National Credit Union Share Insurance Fund to compensate for certain investment losses that were incurred by Western Corporate Federal Credit Union and U S Central Federal Credit Union.

The allocation of this special contribution among all federally insured credit unions is consistent with the cooperative nature of the credit union industry. It reduced our capital to asset ratio from 12.95% to 12.14%. A credit union with a capital to asset ratio that exceeds 7% is considered by regulation to be well-capitalized.

During the fourth quarter of 2007, we submitted our application, business plan, and the other required documentation to convert to a community-based financial institution to the NCUA. The Agency approved our application in October 2008. This change allows us to focus our future development efforts in the Berks County market.

We opened our Bern Township Branch, which is our third, in December to better serve the consumers in this segment of our market.

We also issued, for the second consecutive year, an interest refund and bonus dividend, which totaled \$180,000 and represented approximately 18% of our pre-distribution net operating income. Members received an interest refund equal to 3% of the interest paid on their home-equity, automobile and unsecured loans. In addition, they received a bonus dividend equal to 3% of the dividends earned on their savings, certificates and tax-favored accounts such as an IRA or Educational Savings Account. The distribution is our way of thanking you for your business.

We expect 2009 to be as challenging as 2008. Our primary objective will be to continue to grow our business profitably. Our staff recognizes the challenges we will face and understands the commitment it will take to achieve that objective.

Our Board of Directors, management team and all of the associates at the credit union truly value your membership in our financial cooperative. On behalf of our entire organization, I would like to thank you for your ongoing support, which allows us to continue 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 and a review of its internal controls.
- Monitoring regulatory compliance.
- Ensuring that the credit union's directors and staff fulfill their fiduciary responsibility.

In 2008 the Supervisory Committee completed the following:

- Performed surprise cash counts.
- 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.
- Provided NCUA with information requested in connection with their 2008 examination.

Irwin G. Levan
Supervisory Committee Chairperson

Statements of Financial Condition

December 31, 2008 and 2007

	2008	2007
ASSETS		
Loans to members, net	\$ 49,085,537	\$ 50,262,057
Cash and cash equivalents	2,992,100	3,568,683
Interest bearing accounts	10,300,905	11,926,942
Securities available for sale	64,811,124	54,277,955
Securities held to maturity	6,262,000	-
Accrued interest receivable	784,461	829,322
Property and equipment, net	911,511	888,825
NCUSIF deposit	359,783	1,049,094
Prepaid expenses and other assets	<u>550,918</u>	<u>457,343</u>
	<u>\$ 136,058,339</u>	<u>\$ 123,260,221</u>
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' shares & savings accounts	\$ 116,930,831	\$ 105,445,979
Accounts payable & accrued expenses	<u>1,056,956</u>	<u>721,933</u>
Total liabilities	117,987,787	106,167,912
Commitments and contingencies	-	-
Members' equity	<u>18,070,552</u>	<u>17,092,309</u>
	<u>\$ 136,058,339</u>	<u>\$ 123,260,221</u>