

Report... from the Chief Executive Officer & Board of Directors

We are pleased to report a year of healthy growth for American River HealthPro Credit Union. Total members increased by 1,280 - a gain of 6%, which far exceeded the average in the credit union industry for member growth. Members added \$35.5 million to their deposits, a substantial 21.2% increase, which resulted in year-end total shares of \$202.5 million.

There was an increase in members seeking the services of our Registered Representative/Investment Advisor Paul Swagart, in 2004. Mr. Swagart has been providing financial advice and investment service to American River HealthPro members for the past 14 years. Our long-term partnership with Financial Network Investment Corporation* provides members with financial planning options by affording them access to a full array of investment and insurance products.

As we reported last year, Phase I one of the new Main Branch/Headquarters was completed in December 2003 with the opening of a new 14,000 square foot branch at the existing 12519 Folsom Boulevard location. For the past year, members have enjoyed the convenience offered at this location with two drive-up ATMs, an extended hours lobby with 7am to 7pm live teller services and Saturday hours. In July 2004, completion of the corporate offices wrapped up Phase II. Members, volunteers and staff celebrated this milestone with several Grand Opening events, including a Health Fair. The Health Fair was staffed by credit union sponsors CHW-Mercy, Sutter Health and BloodSource. More than 125 members were tested, screened and/or donated blood.

The completion of the expanded branch/headquarters precipitated merging the operation of the teller-less East Bidwell Branch with the new full service Rancho Cordova branch. ATM service continues to be offered at the East Bidwell location.

Two other branch locations received face-lifts during the year. The Carmichael branch was enhanced with a new self-serve station; a drive-up ATM and some much needed furniture and equipment replacements. The Midtown office at 2901 K Street was expanded and completely remodeled to better serve its growing number of members.

An exciting new member service was added in May 2004 - "After Hours" telephone service. Live operator phone service 24 hours a day, 365 days a year is proving to be a tremendous benefit to all, and especially valuable to the growing member base employed in demanding healthcare professions.

ARHCU staff and volunteers are proud of the credit union's continued involvement with the community throughout 2004 - actively supporting the works of the Mercy Foundation, Sutter Health, BloodSource and the Greater Sacramento Urban League. The credit union participated in benefit fairs, new hire orientations, fundraisers, celebrations and other events for each of our sponsor groups: CHW/Mercy, Sutter Health, BloodSource, Aerojet and DST. We are inspired by the work done by these organizations and our responsibility is to continually develop American River HealthPro membership as a means of enhancing the lives of their employees.

In expanding branch, telephone and remote services to provide state-of-the-art convenience for our members, we must balance these efforts with ensuring that ARHCU is financially safe and sound. In 2004, we continued increasing reserves and maintained a rating of "well-capitalized" from our regulator.

We will celebrate "50 Years of Trust" throughout 2005. Started in 1955, a group of eight Aerojet employees discussed the need for a not-for-profit financial cooperative as a way of serving and helping all employees. In keeping with the traditional credit union philosophy, they were volunteers who recognized the value of people helping people with their financial needs. Today the extension of that philosophy and the manifestation of their dream is American River HealthPro Credit Union.

Thank you for your continued participation and support.

Robert M. Steponovich
Chief Executive Officer

Edmund N. Smith
Chairman of the Board

Board of Directors

Edmund N. Smith

Chairman

Ray Howe

Secretary

Richard Klein

Director

Paul Skelly

Director

Chuck Young

Director

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Mike Finn

Thomas J. Hulsmann

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Bob Mitchell
AVP Business Processes

Mary Heffington
AVP Lending & Operations

Karen Bickford

Vice-Chairman

Robert E. Logue III

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Director

Scott Edrington
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Sam Gallardo

Patty Moore
President/COO

Pamela Lopez
VP Technology

Dawn Robbins
AVP Asset Quality & Collections

Vanessa Ryan
AVP Sales & Business Development

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**American River
HealthPro**
CREDIT UNION

American River HealthPro Credit Union

2004 Annual Report

Report... from the Credit Manager



With interest rates remaining at a 40-year low, members continued to take advantage of borrowing opportunities in 2004, resulting in a net increase of more than \$13 million. As in prior years, real estate and vehicle loans led the loan growth, as members benefited from refinancing higher rate home loans, using their increased equity, and enjoying the convenience Credit Union Direct Lending, online loan applications and loan-by phone. Real estate loans increased \$5.6million, or 9% and Vehicle loans increased \$6.7 million, or 8%, in 2004.

Credit quality had improvement as shown in Delinquent Loans to Total Loans- .69% in 2004 compared to .78% in 2003. Net Charge-offs experienced a slight increase from .95% in 2003 to .97% in 2004.

Patty Moore, Credit Manager

from the Treasurer

American River HealthPro Credit Union ended the year with \$202 million in shares and \$179 million in loans. A strong year for both share and loan growth, shares increased nearly \$36 million and loans increased \$13 million. Share growth topped 21% in 2004 with the help of our Grand Opening CD. Loan demand declined from 2003 but finished the year at 7% growth.

Net income was nearly \$1.8 million, or .85% Return on Assets. Although beneficial to borrowers, the low rate environment is less so for savers. Despite this, ARHCU paid out more than \$2.9 million in dividends.

Net Worth to Total Assets declined in 2004 to 8.7%. However, ARHCU still remains well capitalized.

Robert E. Logue III, Treasurer

from the Supervisory Committee

ARHCU's Supervisory Committee ensures that credit union accounts, records and financial reports are accurate and that internal controls are in place and adequate. Clifton Gunderson, LLC, a Certified Public Accountancy firm, has conducted ARHCU's annual audit for the first time in 2004. They found no major discrepancies during their last audit and issued an unqualified opinion.

The credit union's internal and compliance auditors continue to conduct quarterly reviews and report any findings or recommendations to the Committee. Audit and Compliance exceptions have been minor and the Supervisory Committee is very pleased with the high quality of ARHCU's internal controls, compliance and operating procedures.

Gary L. Smith, Supervisory Committee Chairman

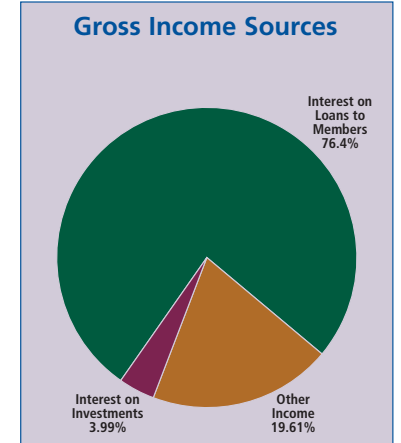
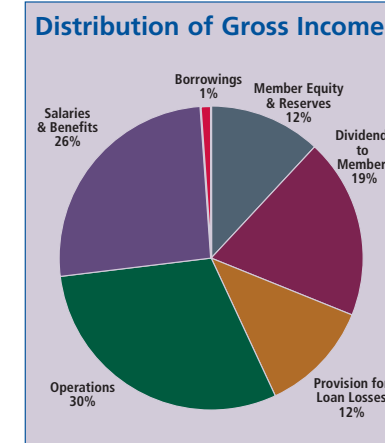
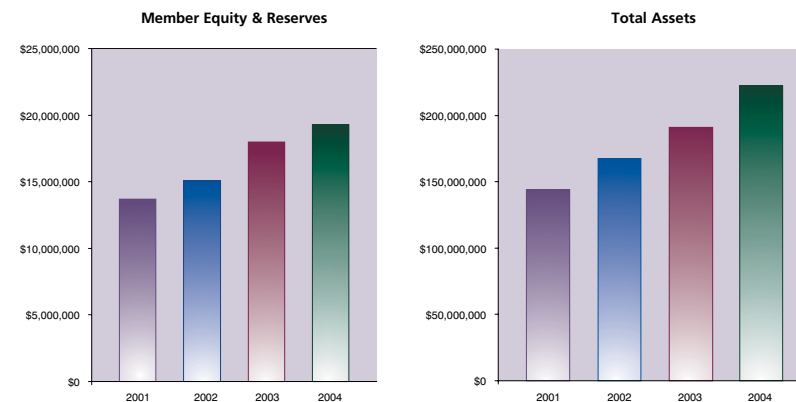
Statement of Financial Condition For the Year Ended December 31, 2004*

Assets	2002	2003	2004
Net Loans	\$138,966,163	\$166,097,448	\$179,053,823
Cash & Cash Equivalents	\$2,978,818	\$2,670,665	\$4,687,171
Invested Funds	\$20,345,324	\$12,985,836	\$27,171,122
Office Property	\$2,736,125	\$6,888,204	\$8,649,607
Deposit in NCUSIF	\$1,413,397	\$1,622,317	\$1,709,273
Other Assets	\$1,171,691	\$1,133,825	\$1,314,525
Total Assets	\$167,611,519	\$191,398,296	\$222,585,521

Liabilities	2002	2003	2004
Accounts Payable	\$1,108,294	\$1,046,120	\$506,377
Dividends Payable	\$291,192	\$211,204	\$291,395
Notes Payable	\$0	\$5,126,065	\$0
Total Liabilities	\$1,399,486	\$6,383,390	\$797,772

Membership Equity	2002	2003	2004
Member Savings	\$151,107,288	\$167,003,161	\$202,475,639
Member Equity & Reserves	\$15,104,745	\$18,011,745	\$19,312,110
Total Equity	\$166,212,032	\$185,014,906	\$221,787,749
Total Liabilities & Equity	\$167,611,519	\$191,398,296	\$222,585,521

*Unaudited financial statements



Income Statement For the Year Ended December 31, 2004*

Income	2002	2003	2004
Total Loans	\$10,804,456	\$11,578,455	\$11,707,946
Invested Funds	\$779,473	\$484,520	\$480,676
Other Income	\$2,309,889	\$2,560,598	\$2,779,763
Total Income	\$13,893,818	\$14,623,573	\$14,968,385

Expenses	2002	2003	2004
Salaries & Benefits	\$2,950,384	\$3,554,592	\$3,817,630
Office Occupancy	\$516,075	\$417,814	\$498,458
Operating Expenses	\$3,672,360	\$3,811,950	\$4,098,291
Provision for Loan Losses	\$1,845,149	\$1,154,512	\$1,847,653
Franchise Tax	\$0	\$0	\$0
Total Expenses	\$8,983,968	\$8,938,868	\$10,262,032

Cost of Funds	2002	2003	2004
Dividends	\$3,530,480	\$2,770,069	\$2,872,990
Interest on Borrowed Funds	\$32	\$7,571	\$67,572
Total Cost of Funds	\$3,530,512	\$2,777,640	\$2,940,562
Net Income (Loss)	\$1,379,337	\$2,907,065	\$1,765,791

*Unaudited financial statements