

2021 ANNUAL REPORT

SOARING

TO NEW HEIGHTS



**TOP
WORK
PLACES**
2021

THE ORANGE COUNTY
REGISTER





▲ **We are very proud of the organization's success in creating value for and providing exceptional service to the membership.**



BARBARA SMITH
▲ CHAIRMAN
OF THE BOARD



NADER MOGHADDAM
▲ PRESIDENT
& CEO

2021 proved to be another record-setting year for Financial Partners! Your Credit Union ended the year with \$1.91 billion in assets, experiencing strong growth of \$159.5 million and posting a solid \$11.7 million of net income.

Despite COVID related challenges, we welcomed 8,000 new members and grew member savings by nearly \$132 million. The focus on serving members' borrowing needs resulted in over \$1.3 billion in new loans. Financial Partners saw robust growth in virtually all loan categories, including consumer, mortgage, and commercial. In consumer loans alone, 11,000 members with over \$231 million in borrowing needs were able to purchase reliable transportation, save money by consolidating high-interest debt, and address their other individual needs. The origination of \$810 million in new home loans helped members realize their dream of homeownership or reduce monthly mortgage payments through refinancing. Additionally, to cap it all, we funded \$295 million in commercial loans.

Our dedication to providing world-class member service was again demonstrated in a very strong Net Promoter Score (NPS) of over 80 in December, well above the bank average NPS of 30⁽¹⁾. Net Promoter Score is the gold standard benchmark used across various industries and organizations and is independently measured for Financial Partners by Member Loyalty Group, a third-party specializing in this area. A big thank you to members who took the

CHAIRMAN & CEO MESSAGE

time to provide valuable feedback as their comments help us refine our service delivery in a way that separates Financial Partners from others.

Due to environmental factors and proactive management actions, credit quality continued to improve as demonstrated by a very low 0.05% delinquency rate. This rate ranks us among the best in class. With a net worth ratio of 8.21%, your credit union is well-capitalized, fiscally sound, and financially strong.

Solid financial performance gave us the ability to increase investment in new products and services that enhance your membership value. New products and services like FREE Checking, First Step Savings, expanded mortgage products, digital/mobile banking enhancements, and many others were made possible through effective deployment of retained earnings.

In parallel, we spared no effort in reimagining service processes by incorporating exciting new technologies. For example, members can now get help while online or through their mobile device by simply connecting to video or chat functionality during digital account opening. A focus on the funding process resulted in personal loans and credit cards being funded in less than 15 minutes, securing a home equity line in a couple of weeks, and mortgage loans in as little as 21 days. We also added a specialized group to provide proactive member follow up and ensure a better overall service experience.

Behind the scenes, information security and fraud management systems were enhanced, while increasing targeted member communication that resulted in improved member protection and awareness.

To accommodate the growth needs of the organization we opened a state-of-the-art operations center in Costa Mesa. The Brea and Orange branches were remodeled, creating a better member experience by improving functionality and lobby flow. Additionally, the VA Loma Linda office was relocated to a larger, brighter, and more convenient location to better serve the hospital staff.

While the pandemic continued to impact the ability to gather in person, Financial Partners invested more

than \$250,000 in the communities we serve through financial education in schools and programs designed for employers. We continued the ongoing commitment to STEM education, by serving as key sponsor of the City of STEM, Girls in STEM clubs and Rocket Fever, all in partnership with the Columbia Memorial Space Center.

The Financial Partners team also participated in virtual and in-person events organized by the Children's Miracle Network in Los Angeles, Orange, and San Diego counties, ARC for Independence, Boeing Leadership Association of Southern California, VA Loma Linda, City of Los Alamitos, Taste of Brea, Laguna Nigel Chamber, Habitat for Humanity, Ronald McDonald House, 3rd annual Seal Beach Turkey Trot, and the 70th Downey Christmas Parade among many others. Finally, nearly 500 individuals participated in the 5th annual Financial Partners Economic Forum, including city officials and business leaders. This event has proven to be a much sought-after event.

We are very proud of the organization's success, none of this would be possible without the dedication and passionate support of the Financial Partners team. In 2021 we significantly enhanced Partner (employee) training and development support, introduced a Diversity, Equity & Inclusion program, and meaningfully enhanced employee benefits. We are very proud to have been named a "2021 Top Workplace" by the Orange County Register, and look forward to 2022 with excitement as it marks Financial Partners' 85th anniversary.

As a member, you are part-owner of Financial Partners. Your participation and support fuel our passion for "Building Lifetime Financial Partnerships" with you. We consider it a privilege to serve you and look forward to continuing to earn your trust and engagement!



BARBARA SMITH,
CHAIRMAN OF THE BOARD



NADER MOGHADDAM,
PRESIDENT & CEO

BOARD OF DIRECTORS

TREASURER'S REPORT



ALAN BERGMAN

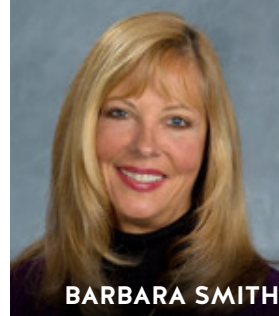
TREASURER

The 2021 Audited Financial Statements represent a record year for Financial Partners and its member owners. During the year, assets grew by \$159.5 million or 9% reaching \$1.91 billion, a new milestone. On the operating front the credit union posted revenue of \$84.1 million, 0.2% better than the prior year, and Net Income of \$11.7 million, 4% higher than the prior year. Management worked diligently to maintain the income stream and a strong balance sheet in response to the increased loan demand.

Core building blocks for fulfilling our vision of “Building Lifetime Financial Partnerships” – shares, loans, and capital – continued to grow in 2021. At year-end total shares were \$1.6 billion, up 9% from the prior year, while the Credit Union’s loan portfolio remained at \$1.4 billion. The Credit Union ended 2021 with total equity of \$157.9 million and a net worth ratio of 8.21%, comfortably above the “Well Capitalized level of 7%”, as defined by the National Credit Union Administration.

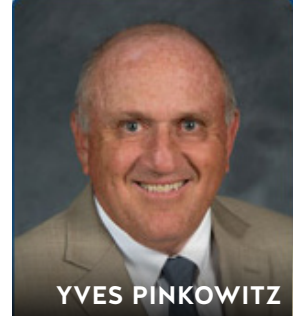
The credit quality continued to be strong, driven by solid performance in commercial and residential mortgage portfolios. The net charge-offs as a percentage of average loans was 0.11%, lower than prior year, and near historic lows.

The Board of Directors, management, and all Financial Partners team members continue to be committed to providing a better financial future for our member-owners.



BARBARA SMITH

BOARD CHAIR



YVES PINKOWITZ

VICE CHAIR



WILLIAM FEASTER

SECRETARY



DONNA CLAWSON

MEMBER



RALPH CROWTHER

MEMBER



PAUL GEERY

MEMBER



MARIO A. GUERRA

MEMBER



ALEX SAAB

MEMBER

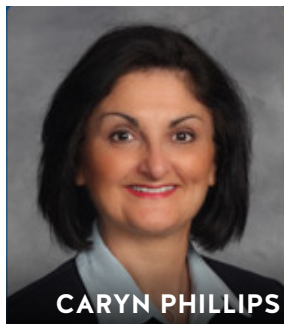
▲ SUPERVISORY COMMITTEE'S REPORT

The Supervisory Committee is responsible for providing our members an impartial assessment of the Credit Union's operations by monitoring the overall financial safety and soundness of the Credit Union, ensuring compliance with various financial and regulatory requirements, as well as adherence to policies and procedures.

To accomplish this, the Supervisory Committee retained the services of the independent audit firm of Moss Adams, LLP to complete the annual financial statement audit for the year ending December 31, 2021. The summary of Financial Partners' Consolidated Statement of Financial Condition as of December 31, 2021, is included herein.

Throughout the year, we reviewed internal audit reports, internal controls, risk management processes and examinations by regulatory agencies. Based on our reviews and the result of the auditor's efforts, the Supervisory Committee believes the Credit Union has maintained accurate and timely accounting records, is in a strong financial position and is operating in a safe and sound manner.

▲ SUPERVISORY COMMITTEE



CARYN PHILLIPS
CHAIR



STEVE KOESTER
SECRETARY



VINCE WORKMAN
MEMBER

▲ ASSOCIATE / EMERITUS DIRECTORS



JO-ANNE MARTIN
ASSOCIATE



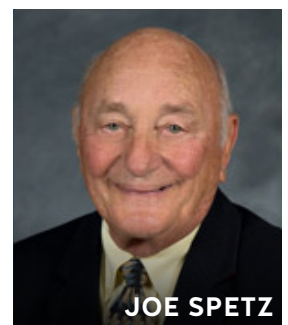
OLYMPIA LEPOINT
ASSOCIATE



BETH HANEY
ASSOCIATE



GARY MACHEEL
EMERITUS



JOE SPETZ
EMERITUS



▲ EXECUTIVE MANAGEMENT

CENTER: Nader Moghaddam, President & CEO; **SEATED IN FRONT: Lori Reeves**, SVP, Chief Marketing Officer; **Cami Briggs**, SVP, Human Resources; **STANDING FROM LEFT TO RIGHT: Joseph Brancucci**, SVP/ Chief Lending Officer; **Jill Erps**, SVP / Chief Retail Officer; **Mary Torsney**, SVP / Chief Financial Officer; **Wanda Williams**, SVP / Chief Administrative Officer; **Darren Herrmann**, SVP / Chief Operations Officer

SPONSORED NEARLY 200 EVENTS

INCLUDING

5TH ANNUAL
ECONOMIC FORUM
ATTENDED BY

500+

BUSINESS OWNERS
AND CITY LEADERS



SUPPORTING FINANCIAL EDUCATION

ADULT EDUCATION IMPACT

▶ 5,705 ONLINE FINANCIAL
EDUCATION MODULES

▲ K12 FINANCIAL
FITNESS EDUCATION
RESULTING IN
2,200+ HOURS
OF LEARNING



SUPPORTING MEMBERS THROUGH UNPRECEDENTED TIMES

LAUNCHED
FREE
CHECKING



LAUNCHED
FIRST STEP
SAVINGS



HELPED 11,000
MEMBERS WITH
AUTO & PERSONAL LOANS



18 DAY
TURNAROUND
FOR HELOC



NEW HELOC
RATE FIXED
FOR 3 YEARS



100% OF
BRANCHES
REMAINED OPEN
DURING PANDEMIC

OPENED NEW
OPERATIONS CENTER
IN COSTA MESA



BY THE NUMBERS 2021



STUDENT INNOVATION COUNCIL



CCUL DISTINGUISHED MEMBER AWARDS



3RD ANNUAL SEAL BEACH TURKEY TROT



DOWNEY HOLIDAY PARADE



3RD ANNUAL SEAL BEACH TURKEY TROT



5TH ANNUAL ECONOMIC FORUM

COMMUNITY

2021 STATEMENT

OF FINANCIAL CONDITION

	2020	2021
ASSETS		
Cash and cash equivalents	\$174,546,580	\$166,180,831
Marketable equity Securities, at fair value	-	\$19,801,069
Securities available-for-sale, at fair value	\$110,713,356	\$248,209,193
Other Investments	\$6,986,889	\$7,773,200
Loans held for sale, at fair value	\$223,029,432	\$131,309,424
Loans receivable (net)	\$1,144,291,216	\$1,246,642,347
Accrued interest receivable	\$3,595,662	\$3,791,947
Mortgage servicing rights	\$11,200,300	\$14,992,348
Property & equipment (net)	\$29,627,293	\$31,141,009
NCUSIF deposit	\$12,544,327	\$13,955,399
Other assets	\$37,876,036	\$30,138,258
	▲ TOTAL ASSETS	\$1,754,411,091
		\$1,913,935,025
LIABILITIES AND MEMBER'S EQUITY		
Members' shares	\$1,490,197,478	\$1,622,502,701
Borrowed funds	\$77,500,000	\$67,500,000
Dollar Roll Financing	-	\$35,328,486
Accrued expenses & other liabilities	\$38,475,643	\$30,694,030
	▲ TOTAL LIABILITIES	\$1,606,173,121
		\$1,756,025,217
MEMBER'S EQUITY		
Retained earnings	\$122,061,859	\$133,755,216
Equity acquired in mergers	\$28,797,821	\$28,797,821
Accumulated other comprehensive loss	(\$2,621,710)	(\$4,643,229)
	▲ TOTAL MEMBERS' EQUITY	\$148,237,970
	▲ TOTAL LIABILITIES AND MEMBERS' EQUITY	\$157,909,808
		\$1,754,411,091
		\$1,913,935,025

2021 STATEMENT OF INCOME

2020

2021

INTEREST INCOME

Loans	\$49,490,868	\$46,650,736
Investments & cash equivalents	\$1,874,137	\$3,411,705

▲ TOTAL INTEREST INCOME **\$51,365,005** **\$50,062,441**

INTEREST EXPENSE

Members' shares	\$12,266,574	\$9,416,280
Borrowed funds	\$2,533,298	\$3,062,695
Total Interest Expense	\$14,799,872	\$12,478,975
Net Interest Income (NII)	\$36,565,133	\$37,583,466
Provision for loan losses	\$2,079,625	\$522,680

▲ NII AFTER PROVISION FOR LOAN LOSSES **\$34,485,508** **\$37,060,786**

NON-INTEREST INCOME

Overdraft income	\$2,377,238	\$2,502,860
Interchange income	\$3,984,638	\$4,983,284
Residential mortgage & commercial banking income	\$20,294,230	\$15,350,635
Service charges and other fees	\$1,562,864	\$1,574,692
Financial services & insurance commission income	\$1,434,363	\$1,936,083
Gain on Marketable Equity Securities	-	\$2,404,383
Grant Income	-	\$2,383,265
Other non-interest income	\$2,856,306	\$2,862,552

▲ TOTAL NON-INTEREST INCOME **\$32,509,639** **\$33,997,754**

NON-INTEREST EXPENSE

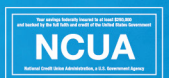
Salaries & benefits	\$31,058,173	\$31,471,112
Office operations	\$10,088,233	\$11,959,649
Loan servicing	\$5,557,503	\$6,150,447
Office occupancy	\$4,340,972	\$4,389,910
Professional fees	\$2,671,111	\$2,977,770
Other non-interest expense	\$2,023,477	\$2,416,295

▲ TOTAL NON-INTEREST EXPENSE **\$55,739,469** **\$59,365,183**

▲ NET INCOME **\$11,255,678** **\$11,693,357**

BUILDING LIFETIME FINANCIAL PARTNERSHIPS

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Your savings are federally insured to at least \$250,000 by the National Credit Union Administration (NCUA), a U.S. Government Agency, and backed by the full faith and credit of the United States Government.

