

2016



**Financial  
Partners**  
CREDIT UNION

# CLIMBING HIGHER TOGETHER



Annual Report

# VISION

## BUILDING LIFETIME FINANCIAL PARTNERSHIPS

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*“Who knew a credit union can be something you care about.”* Sara L.



*“One of the highlights of my day is when I am able to make a significant impact in my member’s life. By simply doing my job well, I get to help members improve their quality of life.”*  
Rosie G.,  
Personal Teller

*“They had the best rates and the nicest people. I couldn’t ask for anything better, it really felt like there was a friend walking with me through the process.”*  
Tiffany P.



# Board Chair and President's Message

Who would have thought, 80 years after its inception, this not-for-profit financial organization built on the premise of 'people helping people' would be as relevant and viable as Financial Partners Credit Union is today? Throughout our long history, we have witnessed profound social and economic changes. Through it all, we have remained tenaciously committed to helping our member-owners have a better financial future.

2016 proved to be another banner year for your credit union. We ended the year with \$1.23 billion in assets, a loan servicing portfolio of over \$1.8 billion and more than \$10 million in net income resulting in Member Equity of more than \$116 million. Most importantly, we succeeded in closing the year with strong member satisfaction, with 93% of members stating they were fully or very satisfied!

At Financial Partners Credit Union we keep one eye on today and the other on the future. Over the last three years, we transformed the branches and enhanced electronic services. In the process, we provided members with more convenient access and greater value. So, what are the results?

## **Member Value**

Your credit union's focus on providing greater member value was once again proven by the Credit Union National Association (CUNA). After a study of loan rates, deposit rates and fees of financial institutions nationwide, CUNA reported that Financial Partners delivers a direct annual benefit of \$437 per member household! This is twice the California average!

As a member-owned financial institution, the more members participate, the more value the collective receives. To encourage greater participation we were delighted to launch the Partnership Reward Points. Now Financial Partners Checking account holders who use their debit card or Platinum Rewards Card, earn points redeemable for travel, merchandise, gift cards or cash. Points from both cards are pooled, allowing for faster accumulation of points. In addition, bonus points are available from over 3,000 national and local merchants. And better yet, no

sign-up or registration is needed. Best of all, members can track and redeem their points from the convenience of eBanking or the FPCU Mobile app. It doesn't stop there. Other benefits such as cell phone coverage against damage or theft, purchase assurance, identity theft protection and more were added to both debit and credit cards at no additional cost to members.

Electronic access was also enhanced with the addition of Card Manager, which allows members to temporarily disable their debit and/or credit cards, reorder cards and enter travel notes within eBanking or FPCU Mobile. This enhancement coupled with 24/7 phone support for debit and credit cards, and the addition of Partnership Points makes Financial Partners cards, the card of choice.

## **Growth**

During 2016, member deposits grew by more than \$123 million, including \$25 million through the merger with Sierra Point Credit Union. As a credit union, we are very focused on serving members' borrowing needs. To that end, we originated over \$616 million in new loans. Virtually all loan categories including consumer, mortgage, commercial, credit cards and personal loans posted robust growth.

## **Service Excellence**

We ended the year with a very strong Net Promoter Score (NPS) of 71%, well above the bank average of 32% (1). NPS is the gold standard benchmark used across a variety of industries and organizations. The surveys, conducted by a third-party, provide timely feedback which is used to improve service delivery. We want to thank the members who responded and provided us with their valuable feedback. This organizational commitment to service excellence is what separates Financial Partners from others.

## **Expanded Access**

Physical access increased this year as we expanded into South San Francisco and opened branches in Irvine and Whittier. New branches use innovative design to allow the team to spend



quality time with members to identify solutions that can help them achieve their financial goals. With 18 branches stretching from San Francisco to San Diego, 74 proprietary ATMs, more than 30,000 surcharge free ATMs and 5,400 shared branch locations offered through the CO-OP network, Financial Partners provides free nationwide access through a vast network second to none.

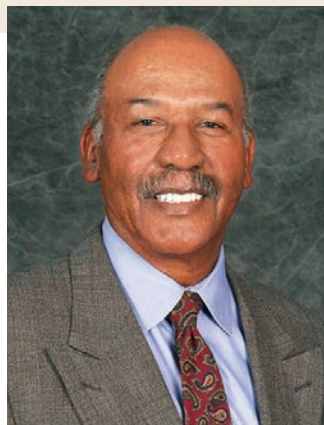
**Community Support**

As good corporate citizens, we actively engage in the communities we serve by delivering 120 financial seminars, sponsoring many key events and participating in more than 300 sponsor and community events throughout the year, including those organized by the Children’s Miracle Network in Los Angeles, Orange and San Diego counties, ARC for Independence, and Boeing Leadership Association Southern California.

However, our signature community achievement in 2016 was bringing financial education to the community through Be Financially Fit! The program is built upon two planks: one is a self-service series of short, interactive online videos covering some of the most complex financial topics from basic budgeting and home ownership to retirement and investing. These videos are available for free on our website FPCU.org.

The second plank is instructor-led and designed as part of high school curriculum. We were very proud to have integrated this valuable content into a number of local high schools. Financial Partners trained teachers to deliver the comprehensive, interactive program to prepare students to navigate important financial decisions such as building credit, college financing, taxes, auto loans, insurance, 401(k) plans and investing. With so many young people unprepared to manage their finances, it is rewarding to be able to help youth in our community.

2017 commemorates our 80th anniversary. We plan to celebrate this milestone by providing members with even greater value! You will see further enhancements in digital



**Earl S. Washington**  
Board Chair



**Nader Moghaddam**  
President & CEO

*We are extremely proud of our nearly 80 year history. From humble beginnings in 1937 when a small group of North American Aviation employees pooled their hard earned funds to start this credit union; to today as a full service financial cooperative- the goal remains the same: Help members’ live better lives by delivering meaningful value.*

.....

delivery and mobile services, while we continue to expand the branch network, digital infrastructure and talent.

The board of directors and management are very proud of the organization’s stellar member service and financial performance. The passion for fulfilling our vision of “building lifetime financial partnerships” continues to drive us to new heights.

Thank you for your continued support and participation. We consider it a privilege to serve you.

Earl S. Washington  
Chairman

Nader Moghaddam  
President & CEO

(1) Temkin Group, Q3 2016 Consumer Benchmark Survey

## Treasurer's Report

The environment in 2016 presented unique challenges as the Fed began raising interest rates and the Presidential election provided an added twist. In spite of it all, Financial Partners succeeded in delivering strong financial performance for its member owners. During the year, assets grew by \$152 million or 14% reaching \$1.23 billion. On the operating front the credit union posted revenue of \$58.6 million, 22% better than the prior year. In addition, the Credit Union posted a record \$10.1 million Net Income for the year. Management worked diligently to strengthen the income stream and balance sheet in response to the changing financial climate.

Core building blocks of "Building Lifetime Financial Partnerships" – shares, loans, and capital – continued to grow in 2016. At year-end total shares exceeded \$1 billion, up 14% from the prior year, while the Credit Union's loan portfolio ended 2016 at \$986 million, up 17% from 2015. The credit quality of our portfolio continued to be strong, driven by solid performance in the commercial and residential mortgage portfolios. The net charge-offs as a percentage of average loans was 0.26%, compared with 0.20% in 2015, although a little higher than prior year, still remaining near historic lows.

From a capital perspective, the Credit Union ended 2016 with total equity of \$116 million and a net worth ratio of 9.28%, comfortably above the "Well Capitalized level of 7%", as defined by the National Credit Union Administration.

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.



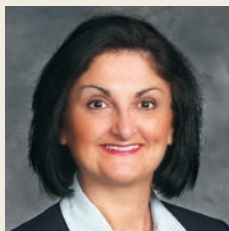
**Barbara A. Smith**  
Treasurer

## Supervisory Committee Report

Financial Partners Credit Union has the responsibility to ensure that your funds are safe and are as productive as possible. The Supervisory Committee is responsible to you, the membership, to ensure that your Credit Union operates prudently and according to all applicable rules and regulations as set forth by the State of California Department of Business Oversight (DBO) and the National Credit Union Administration (NCUA). In addition, follows generally accepted accounting principles.

To accomplish this, the Supervisory Committee retained the services of the independent audit firm of Moss Adams, LLP to complete the Financial Partners audit and examine the consolidated financial statements as of December 31, 2016. We're pleased to report that the Credit Union has received an unqualified opinion in the Independent Auditors' Report. The summary of Financial Partners' Consolidated Statements of Financial Condition as of December 31, 2016 is included herein.

Based on our review and the results 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.



**Caryn Phillips**  
Chair

FPCU members save an average

**\$437**

a year per household

**120**  
Educational  
Seminars

**71%**  
NPS Score

**30,000**  
Surcharge Free ATMs

**3**  
New Branches  
Opened

**5,400**  
Shared Branch  
Locations

Members earned over  
**2 Million**  
Partnership Points

**Launched**  
Samsung  
Pay

South  
San Francisco  
**Merger**

**\$616 Mil**  
in New Loans





## Board of Directors



**Earl S. Washington**  
Board Chair



**Ralph Crowther**  
Vice Chair



**Barbara A. Smith**  
Treasurer



**Joe Spetz**  
Secretary



**Alan Bergman**



**Donna P. Clawson**



**Mario Guerra**



**Gary W. Macheel**



**Yves Pinkowitz**



## Supervisory Committee



**Caryn Phillips**  
Chair



**Steve Koester**



**Vince Workman**

## Associate Board Member



**William Feaster**

## Executive Management



Front row L to R: Mario Osorio, VP Investments & Insurance; Mary Torsney, SVP Chief Financial Officer; Norma Stein, SVP Human Resources; Nader Moghaddam, President/CEO; Laurie Tyler, VP Sales & Member Services; Wanda Williams, SVP Chief Administrative Officer.  
Back row L to R: Lori Reeves, SVP Marketing; Jill Erps, VP Sales Management & Special Services; Darren Herrman, SVP Operations; Michael Patterson, SVP Chief Lending Officer.

## Statement of Financial Condition

	2016	2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 50,685,524	\$ 94,001,902
Investments		
Available for sale	121,895,114	79,952,310
Other	12,462,350	11,197,808
Loans held for sale	101,947,732	34,615,874
Loans (net)	883,655,715	809,961,185
Accrued interest receivable	2,939,358	2,549,658
Payroll service reimbursement receivable	13,455,383	11,694,630
Mortgage servicing rights	6,301,985	5,485,839
Premises & equipment (net)	13,708,778	10,933,926
NCUSIF deposit	9,162,921	8,031,490
Other assets	17,418,315	13,036,243
<b>Total assets</b>	<b>\$ 1,233,633,175</b>	<b>\$ 1,081,460,865</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Members' shares	\$ 1,000,667,122	\$ 877,176,955
Borrowed funds	100,000,000	80,000,000
Accrued expenses & other liabilities	16,879,742	18,243,611
<b>Total liabilities</b>	<b>\$ 1,117,546,864</b>	<b>\$ 975,420,566</b>
Members' equity		
Retained earnings	\$ 91,126,603	\$ 81,042,108
Equity acquired in merger	26,438,203	25,604,203
Accumulated other comprehensive income (loss)	(1,478,495)	(606,012)
<b>Total members' equity</b>	<b>\$ 116,086,311</b>	<b>106,040,299</b>
<b>Total liabilities and members' equity</b>	<b>\$ 1,233,633,175</b>	<b>\$ 1,081,460,865</b>

# Statement of Income

	2016	2015
<b>INTEREST INCOME</b>		
Loans	\$ 34,488,394	\$ 31,154,357
Investments & cash equivalents	3,133,072	2,501,328
<b>Total interest income</b>	<b>\$ 37,621,466</b>	<b>\$ 33,655,685</b>
<b>INTEREST EXPENSE</b>		
Members' shares	4,781,409	3,179,284
Borrowed funds	1,614,457	1,306,434
<b>Total interest expense</b>	<b>\$ 6,395,866</b>	<b>\$ 4,485,718</b>
<b>Net interest income (NII)</b>	<b>31,225,600</b>	<b>29,169,967</b>
Provision for loan losses	2,602,704	2,458,000
<b>NII after provision for loan losses</b>	<b>\$ 28,622,896</b>	<b>\$ 26,711,967</b>
<b>NON-INTEREST INCOME</b>		
Overdraft income	3,375,484	3,052,764
Interchange income	2,635,995	2,391,773
Bargain purchase gain	2,930,113	–
Financial services and insurance commission income	1,472,874	1,678,400
Mortgage banking income	6,428,559	4,881,695
Service charges and other fees	1,724,025	978,166
Other non-interest income	2,416,889	1,241,695
<b>Total non-interest income</b>	<b>\$ 20,983,939</b>	<b>\$ 14,224,493</b>
<b>NON-INTEREST EXPENSE</b>		
Salaries & benefits	20,895,794	18,836,440
Office operations	8,399,827	7,819,787
Loan servicing	3,173,756	3,011,338
Professional fees	2,266,343	2,669,747
Office occupancy	2,735,523	2,400,016
Other non-interest expense	2,051,097	1,673,507
<b>Total non-interest expense</b>	<b>\$ 39,522,340</b>	<b>\$ 36,410,835</b>
<b>Net income</b>	<b>\$ 10,084,495</b>	<b>\$ 4,525,625</b>





# Financial Partners

CREDIT UNION

7800 East Imperial Highway  
Downey, CA 90242  
800.950.7328  
www.fpcu.org

## BRANCHES

### Brea

2435 E. Imperial Hwy.

### Downey

7800 E. Imperial Hwy.

### Downey Gateway

8274 Firestone Blvd.

### Huntington Beach/Westminster

16348 Beach Blvd.

### Irvine

6608 Irvine Center Dr.

### Orange

1409 W. Chapman Ave.

### San Diego - Mission Valley

8889 Rio San Diego Dr.

### South San Francisco

365 S. Spruce Ave.

### Whittier - (Inside PIH Health)

12401 Washington Blvd.

### Woodland Hills

6250 Topanga Canyon Blvd.  
Suite 1530

## EXPRESS SERVICE OFFICES

*(access restricted to on-site employees)*

### Aliso Viejo - Pacific Life

45 Enterprise

### Canoga Park - Aerojet Rocketdyne

Building 103 1-FB-4.2

8900 De Soto Ave.

### El Segundo - Boeing

Building S24-M45101

2020 E Imperial Hwy.

### Huntington Beach - Boeing

Building 11

Employee Benefits Center

5301 Bolsa Ave.

### Newport Beach - Pacific Life

700 Newport Center Dr.

### San Diego Naval Medical Center

Bldg. 26 -1-116-S

34800 Bob Wilson Dr.

### San Diego - VA Medical Center

Inside Hospital

3350 La Jolla Village Dr.

### Seal Beach - Boeing

Building 80

2201 Seal Beach Blvd.



Your savings 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.