



YEARS

2017 ANNUAL REPORT





YEARS

Building Lifetime Financial Partnerships

BOARD CHAIR & PRESIDENT'S MESSAGE

It all started in 1937, when eight North American Aviation employees pooled \$40.25 in initial deposits, and organized the NAA Employees Federal Credit Union. After eighty years and a couple of name changes, Financial Partners Credit Union is 80,000 members strong with over \$1.3 billion in assets. Still guided by the same pioneering, cooperative spirit of its founders, the Credit Union's focus remains on its Vision of "Building Lifetime Financial Partnerships." We strive to provide you, the Member-Owners, with great value, while making a difference in the communities we serve.

Doing Well by Doing Right by You

In 2017, we welcomed over 14,500 new members and grew assets by \$82 million. A Credit Union National Association report determined that Financial Partners provided over \$20 million in direct financial benefits to its members. These benefits equate to \$505 per household. Even better, high-use member households received \$1,817 in direct financial benefits!

FINANCIAL PARTNERS PROVIDED OVER \$20 MILLION IN DIRECT FINANCIAL BENEFITS TO ITS MEMBERS.

As a not-for-profit financial cooperative, it is not just about how much we save you, but how well we serve you! Recent surveys conducted by an independent research firm indicated that 93% of members rated us "fully" or "very satisfied." We are very pleased to hear this and are motivated to do even better.

Increased Convenience, Better Technology

Last year, three credit unions – Star Harbor, Financial Benefits, and RAFF – elected to merge with Financial Partners. With these partnerships, we

now have 21 branches to serve you, from South San Francisco to San Diego, including the four newest branches in Rancho Dominguez, Alameda, Riverside, and Loma Linda VA. Along with 5,600 Shared Branch locations, 80 proprietary ATMs, and over 30,000 fee-free CO-OP ATMs, you have more FREE access nationwide than most "big banks."

We also made upgrades in digital access. In 2017, we introduced over 20 enhancements to online and mobile banking channels. Online Banking now delivers an improved experience with a more user-friendly layout, intuitive navigation, and added features such as Chat and Card Controls, which allows you to securely activate your card, select a PIN, and enable or disable your card. The Mobile App is sporting a new, streamlined look with added features, including Quick Balance, a fast action menu, and enhanced card manager with travel notices and card activation/deactivation at your fingertips. Similarly, a number of measures have made the loan application process more efficient. We can now guarantee closing of mortgage loans in as little as 15 days!

Expanded investments in data analytics, machine learning, payment systems, and cybersecurity allow us to provide better and faster products and services and make your Credit Union smarter and more efficient in serving you.

Community Support

The entire Financial Partners family is actively engaged in the communities we serve. Whether it's a team of walkers at AIDS Walk San Francisco or donating to the Boeing Scholarship Fund, your Credit Union supports dozens of community and charitable organizations every year. But the heart and soul of Financial Partners is represented by three specific causes: Financial Literacy, youth education in Science, Technology, Engineering and Math (STEM), and Children's Miracle Network (CMN). A recent study estimates that poor financial literacy costs Americans \$10 billion annually. Your Credit Union addresses this challenge head on, by providing hundreds of free educational seminars

each year, covering topics from Understanding Credit and Building a Better Budget, to Buying a Home with Little Down and Retirement Planning. We held over 400 financial education events at the branches and various companies last year. We also offer free educational, interactive modules at FPCU.org, to help members get 'Financially Fit' on their own schedule. For the younger generation, we provide high schools with an engaging, digital education platform that builds student financial skills, and train the teachers to deliver the robust curriculum – all at no cost to the schools. This investment in our youth will help them make smarter financial decisions and profoundly impact their future.

We also partner with the Columbia Memorial Space Center, sponsoring several community events, like the City of STEM Science Festival and Rocket Fever. It's a nod to our rich aerospace history and an investment in our communities and future members!

Through a combination of employee and member fundraisers, over \$92,000 was raised for CMN, supporting Children's Hospital of Los Angeles, Orange County and Rady in San Diego. We participated in the CHOC Walk with over 100 Financial Partners walkers, decorated the children's room at CHLA for the holidays, and donated books and toys to Rady. We support CMN because of the amazing work and miracles these hospitals perform each day. In fact, Jordin Jackson, daughter of one of our employees, was the 2017 CHOC Walk Ambassador. We support Jordin and the thousands of other children who receive exceptional care at these facilities.

Celebrating 80 Years

To commemorate this important milestone, the Credit Union celebrated with 80 days of awesome deeds! Employees rallied together putting in over a thousand volunteer hours, donating school supplies to local classrooms, delivering non-perishable items to food pantries, cleaning up local beaches, adopting families for the holidays, and so much more! The primary goal was to spread positivity and a "pay-it-forward" mentality. It worked!

Employees inspired their families, friends and other community members to get involved in the movement. We are very proud of the Financial Partners team for selflessly serving our communities.

Looking Forward

The last eight decades have witnessed profound social, economic and technological changes. Your Credit Union embraced these changes and adapted to ensure its long-term success.

Ours is an exceptional Credit Union, with a remarkable heritage, and a promising future. We remain committed to providing outstanding service and value, while delivering strong financial performance. Through prudent investments and strategic mergers, we have built the platform and gained access to markets that will ensure sustainable long-term growth. Given this good work, we believe the Credit Union has unlimited potential.

It is a great privilege to work for you, our Member-Owners. Whatever your future goals and aspirations, whatever mountains you want to conquer, we stand ready to help you get there. We appreciate your membership and look forward to serving you and your families for another 80 years!



Ralph Crowther

Ralph Crowther
Board Chair



Nader Moghaddam

Nader Moghaddam
President & CEO

TREASURER'S REPORT

Alan Bergman
Treasurer



Financial Partners delivered a strong financial performance for its member-owners in 2017. During the year, assets grew by \$82 million or 7%, reaching \$1.32 billion. On the operating front, the Credit Union posted revenue of \$60.5 million, 3% better than the prior year, and a Net Income of \$6.2 million. As the Fed raised interest rates, management worked diligently to shore up the income stream and strengthen the balance sheet, in response to the changing financial climate.

Core building blocks for fulfilling our vision of “Building Lifetime Financial Partnerships” – shares, loans, and capital – continued to grow in 2017. At year-end, total shares were \$1.1 billion, up 9% from the prior year, while the Credit Union’s loan portfolio was at \$990 million. 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 0.29%, a little higher than prior year, but still remaining near historic lows.

From a capital perspective, the Credit Union ended 2017 with total equity of \$124 million and a net worth ratio of 9.18%, comfortably above the “Well Capitalized level of 7%,” as defined by the National Credit Union Administration. In addition, the Credit Union completed three successful mergers.

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.

SUPERVISORY COMMITTEE REPORT

Caryn Phillips
Chair



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, we are responsible for ensuring the Credit Union 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, 2017.

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, 2017, 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.

In memoriam

EARL S. WASHINGTON

In 2017, we were struck by the loss of one of our greatest supporters and pioneers, Earl S. Washington.

During his 21 years at Rockwell, where he last served as Senior Vice President of Marketing and Communications, Earl assumed a number of progressively important management assignments as he steadily rose through the ranks. His success was publicly recognized in 1988 and again in 1993, when he was selected as one of “most powerful” African American Executives at Fortune 500 companies by the Black Enterprise magazine.

During his working years, he volunteered his time as a member of the Board of Trustees at Harvey Mudd College and the Board of Directors of the Los Angeles Area Chamber of Commerce. He was a founding member and former Chair of the Executive Leadership Council, the premier national organization of senior level African American executives at Fortune 500 companies.

Post retirement, Earl didn’t slow down. He volunteered his time to a number of meaningful nonprofit efforts. He served on the Board of Directors of Financial Partners Credit Union and Citrus Valley Health Partners, and, for a time, chaired both Boards simultaneously.

DURING HIS 17 YEAR TENURE AS THE CHAIR OF THE CREDIT UNION, IT GREW FROM A LITTLE OVER \$400 MILLION IN ASSETS TO \$1.3 BILLION TODAY. ALONG THE WAY, EARL AND HIS COLLEAGUES ON THE BOARD HELPED MAKE A DIFFERENCE IN THE LIVES OF MORE THAN 80,000 MEMBERS.

Earl has the distinction of being the longest tenured Board Chairman during the credit union’s 80 year history!

He was a strategic thinker, an eternal optimist and had high standards of excellence. One of the things that made Earl a great leader was his even temper. No matter how difficult things got, he managed to stay calm and maintain his focus on the important issues. He had an uncanny ability to lead by encouraging all to participate and be engaged. In short, Earl was a great leader who brought out the best in all of us.

He is survived by his wife, Brenda, their children, Shawn, Stacey, and Miles, and his young grandson Justin.

Always a consummate professional, he possessed a keenly strategic mind, an inner drive for excellence, and an unwavering dedication to doing what is right for our community and members.

Earl will be greatly missed.



WHAT OUR MEMBERS ARE SAYING



“My cousin was looking to buy a home and the only lender I could refer her to was Financial Partners. And there are several reasons why. One is that FPCU has really good rates. And they don’t have crazy junk fees that the big banks and mortgage brokers throw in. I also love them because they are so fast, it’s ridiculous! Sometimes, they are ready to close before the sellers and the buyers are even packed. But the biggest reason is because FPCU cares about their members. They treated her so well, she can’t stop bragging about them, and even started referring other people to them too!”

Daniel A., New Member & Community Partner for over 4 years

Salvatori M.,
Member for 23 Years

“I am so grateful for a no-hassle approval. My credit score is not great, but Financial Partners gave me an opportunity to improve my credit by giving me a loan – something a regular bank wouldn’t consider or allow. I most likely won’t utilize a regular bank for high-limit loans again.”

“They went the extra mile to accomplish setting up my new car loan in a very timely manner. I found the car I wanted on Wednesday night, came in and talked with them and the seller on Thursday afternoon, and then drove my new car on vacation by Friday afternoon! I still have a hard time believing this was possible. Thanks, Financial Partners!”

Richard S., Member for 17 years



Tanya H.,
Member for 16 Years

“I experienced a best practice from FPCU, which tells me that the playing field at the Credit Union is continuous education, and that teamwork is alive and flourishing. The processing of my loan was immediate, detailed, articulated clearly, step-by-step directions were given, and there was always a person available to assist me with questions. WOW! They exhibit accountability, flexibility, positive attitudes and, again, outstanding teamwork.”

“I have always had great experiences with Financial Partners, and now with all the technology, a local branch is no longer a factor. I will be moving more money over and replacing much of my other Credit Union business to Financial Partners. They have the type of employees that always make Financial Partners stand out. I have received the same experience each time I have called.”

James D.,
Member for 21 Years



“Financial Partners has been with me all the time. They’ve grown as I have grown. As time evolved, I opened a checking account. Then, when it was time to buy my first car, I was able to finance it through the Credit Union. When I started working, I opened an IRA account. And I’ve liked as the technology at the Credit Union has evolved. It’s been a part of my life and will continue to be a part of my life. The convenience, the outstanding rates that have been offered...And I feel like I get that personalized service. It’s almost like I’m family when I’m here.”

Jo Murray, Member for 50 years

IN THE COMMUNITY



80 Days of Awesome Launch Party



2017 CHOC Walk in the Park



Blood Drive (World Sickle Cell Day)



Downey Christmas Parade

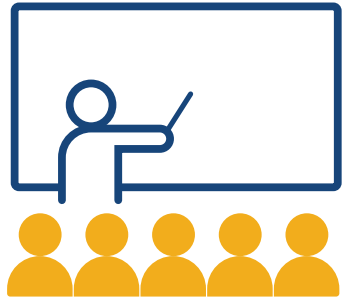


Financially Fit Educational Classes



2017 Rocket Fever at the Columbia Memorial Space Center

2017 - BY THE NUMBERS



EDUCATIONAL EVENTS

256	ON-SITE PRESENTATIONS
54	NEW HIRE ORIENTATIONS
91	FINANCIAL SEMINARS



ASSETS



**ASSET
GROWTH**



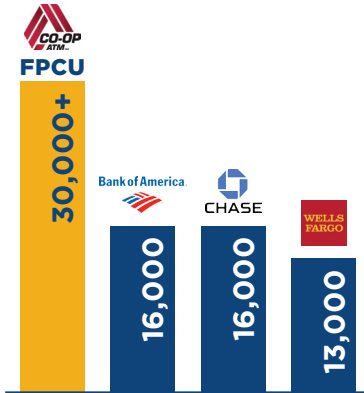
**NET
INCOME**

NEW LOANS TO MEMBERS
\$387 MILLION

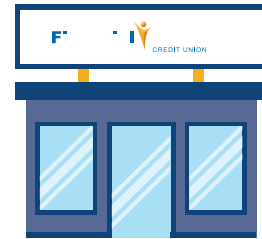


93%

**OVERALL
MEMBER
SATISFACTION**



**SURCHARGE
FREE ATMs**
30,000+
NATIONWIDE



4

**NEW
BRANCHES
OPENED**

5,600+
SHARED BRANCH
LOCATIONS
NATIONWIDE

400+
COMMUNITY &
CHARITABLE
EVENTS



\$20 MILLION
DIRECT FINANCIAL BENEFITS
TO MEMBERS

**OVER
20 ONLINE & MOBILE
ENHANCEMENTS**



CELEBRATING 80 YEARS

Most members think of Financial Partners as an institution focused on the future – a financial partner that’s always searching for what is next in innovation, the next best product, the next big thing to make our members’ financial lives simpler, easier and more successful. Now, we look back at what made it all possible, as we celebrate our 80th anniversary. As you can imagine, things are very different today.

1937 North American Aviation Employees Federal Credit Union was chartered on November 4th.

1942 Sproul McCloy became the Credit Union’s first full-time employee as Office Manager.

1948 New North American Aviation Employees Federal Credit Union office opened in the Downey plant.

1952 The Credit Union reached \$1 Million in Assets.

1955 The Credit Union made its first Mortgage Loan.

1957 The Credit Union had branches in Inglewood, Long Beach, Alta Dena, Canoga Park, and Downey.



1969 As a result of the merger of Rockwell-Standard and North American Aviation, the Credit Union changed its name to NR Employees Federal Credit Union.

1973 The NCUA granted the Credit Union’s name change to Rockwell Federal Credit Union. In the late ‘70s, the Credit Union reached over \$50 million in total assets.

1978 The Credit Union launched its credit card program.

1980s The Credit Union became a full-service financial institution, with checking accounts, credit cards, home loans, financial/retirement planning, and insurance services.

1989 The Credit Union reached \$232 Million in Assets.

1995 The Credit Union launched its website.

1996 Online loan applications launched.

1997 Online Banking and Bill Pay were introduced.



CELEBRATING 80 YEARS

2000 In December 27, 2000, the Credit Union changed it's name to Financial Partners Credit Union. The name change also brought conversion from a federal to a state-chartered credit union, greatly expanding membership growth opportunities.

2001 CalWest Credit Union became part of Financial Partners.

2005 Nader Moghaddam became President & CEO.

2006 Credit Union partnered with CU Direct Lending (CUDL), allowing members convenient FPCU financing at dealerships.

2009 Pacific Coast Credit Union became part of Financial Partners.

2011 Santa Fe Springs City Employees CU became part of Financial Partners.

2014 The Credit Union launched it's new insurance agency - FPCU Insurance Services, LLC.

Smart Branch Transformations began; a Centralized Teller Center was introduced; pioneering the use of Interactive Personal Tellers.



2015 Southland Savings FCU, SD Medical FCU, and Compton Municipal Employees FCU became part of Financial Partners.
The Credit Union reached \$1 Billion in Assets.

2016 Sierra Point CU becomes part of Financial Partners.

2017 Financial Partners celebrates its 80th Anniversary.

Star Harbor FCU, RAFE FCU, and Financial Benefits CU became part of Financial Partners.

2018 Financial Partners reaches \$1.317 Billion in Assets and serves over 80,000 members, with 21 branches from San Diego to South San Francisco.



BOARD OF DIRECTORS



Ralph Crowther
Chairman of the Board



Barbara A. Smith
Vice Chair



Alan Bergman
Treasurer



Yves Pinkowitz
Secretary



Donna P. Clawson



William Feaster



Mario A. Guerra



Gary W. Macheel



Joe Spetz

ASSOCIATE BOARD MEMBERS



Paul Geery



Alex Saab



Caryn Phillips
Chair



Steve Koester



Vince Workman

SUPERVISORY COMMITTEE

EXECUTIVE MANAGEMENT



(L to R) Paul Leonhardt, Chief Lending Officer; Jill Erps, Chief Retail Officer; Wanda Williams, Chief Administrative Officer; Nader Moghaddam, President & CEO; Mary Torsney, Chief Financial Officer; Lori Reeves, Chief Marketing Officer; Darren Herrmann, Chief Operations Officer.

STATEMENT OF FINANCIAL CONDITION

	2016	2017
ASSETS		
Cash and cash equivalents	\$50,685,524	\$88,773,222
Investment		
Available for Sale	121,895,114	155,289,746
Other	12,462,350	12,814,008
Loans held for sale	101,947,732	45,631,743
Loans (net)	883,655,715	944,448,614
Accrued interest receivable	2,939,358	3,307,800
Payroll service reimbursement receivable	13,455,383	13,084,578
Mortgage servicing rights	6,301,985	6,624,963
Premises & equipment (net)	13,708,778	17,113,429
NCUSIF deposit	9,162,921	10,164,517
Other assets	17,418,315	18,024,290
Total Assets	\$1,233,633,175	\$1,315,276,910
LIABILITIES AND MEMBER EQUITY		
Investments		
Members' shares	1,000,667,122	1,093,182,752
Borrowed funds	100,000,000	80,000,000
Accrued expenses & other liabilities	16,879,743	17,765,698
Total Liabilities	\$1,117,546,865	\$1,190,948,450
Members' equity		
Retained earnings	91,126,602	97,318,462
Equity acquired in merger	26,438,203	28,797,821
Accumulated other comprehensive income (loss)	(1,478,495)	(1,787,823)
Total members equity	\$116,086,310	\$124,328,460
Total liabilities and members' equity	\$1,233,633,175	\$1,315,276,910

STATEMENT OF INCOME

	2016	2017
INTEREST INCOME		
Loans	\$34,488,394	\$37,072,673
Investments & cash equivalents	3,133,072	4,919,786
Total Interest Income	\$37,621,466	\$41,992,459
INTEREST EXPENSE		
Members' shares	4,781,409	5,580,132
Borrowed funds	1,614,457	2,265,538
Total interest expense	\$6,395,866	\$7,845,670
Net interest income (NII)	31,225,600	34,146,789
Provision for loan losses	2,602,704	3,202,489
NII after provision for loan losses	\$28,622,896	\$30,944,300
NON-INTEREST INCOME		
Overdraft income	3,375,484	3,372,012
Interchange income	2,635,995	2,762,489
Bargain purchase gain	2,930,113	4,365,641
Financial services and insurance commission income	1,472,874	1,222,157
Mortgage banking income	6,428,559	2,718,645
Service charges and other fees	1,724,025	1,771,359
Other non-interest income	2,416,889	2,332,632
Total non-interest income	\$20,983,939	\$18,544,935
NON-INTEREST EXPENSE		
Salaries & benefits	20,895,794	23,024,188
Office operations	8,399,827	8,351,456
Loan servicing	3,173,756	4,053,465
Professional fees	2,266,343	2,860,331
Office occupancy	2,735,523	3,248,474
Other non-interest expense	2,051,097	1,759,462
Total non-interest expense	\$39,522,340	\$43,297,376
Net Income	\$10,084,495	\$6,191,859



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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.