

OPEN YOUR EYES TO
**FINANCIAL
PARTNERS**
CREDIT UNION



2019 ANNUAL REPORT



**OUR MEMBERS
GET \$655
PER YEAR IN
DIRECT BENEFITS**



Nader Moghaddam, President & CEO, Financial Partners Credit Union

BOARD CHAIR & CEO'S MESSAGE

BOARD CHAIR AND
CEO'S MESSAGE
PRESENTED VERBALLY
DURING THE VIRTUAL
ANNUAL MEETING.



Ralph Crowther
Chairman of the Board

A handwritten signature in black ink, appearing to read "Ralph Crowther".



Nader Moghaddam
President & CEO

A handwritten signature in black ink, appearing to read "N. Moghaddam".



TREASURER'S REPORT

Alan Bergman
Treasurer

The 2019 Audited Financial Statements represent a strong year for Financial Partners and its member-owners. During the year, assets grew by \$125.2 million or 9%, reaching \$1.50 billion – a new milestone. On the operating front, the Credit Union posted revenue of \$69.5 million, 6% better than the prior year, and a Net Income of \$7.3 million, \$1.1 million higher than the prior year. As the Fed lowered interest rates, 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 2019. At year-end, total shares were at \$1.2 billion, up 9% from the prior year, while the Credit

Union's loan portfolio was at \$1.3 billion, up 13% from 2018. The Credit Union's capital ended 2019 with total equity of \$137.1 million and a net worth ratio of 8.93%, 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 0.27%, lower than prior year, and still remaining 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.



SUPERVISORY COMMITTEE'S REPORT

Caryn Phillips
Chair

The Supervisory Committee is responsible for monitoring the financial safety and soundness of the Credit Union and to ensure compliance with various financial and regulatory requirements.

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, 2019. The summary of Financial Partners' Consolidated Statement of Financial Con-

dition as of December 31, 2019, is included herein.

In addition, 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.

Just some of our HIGHLIGHTS THIS YEAR...

Funded over
\$900 million
in new loans to Members

Over
10,500 New Members
Membership now stands at
Over 83,000

Launched an enhanced, unified
Digital Banking Platform,
available 24/7 on your desktop,
tablet, phone, and smart watch

Awarded
Excellence in Lending
by CUNA Lending Council

79 Net Promoter Score

Launched new Brand & Logo

Expanded member
Onboarding communication
to members

Marketing Association of Credit Unions
Gold & Silver Awards
for Member Awareness Campaigns

Awarded
Best in Show
by CUNA Marketing & BD Council
for Greatest Impact to Members

Launched
Member Texting

Launched
GooglePay

Sponsored or hosted over

75 financial educational seminars
&
396 onsite events

Expanded Field of Membership
to include all of
Los Angeles & Riverside Counties

Launched
Make the Switch & Save
– so members can now apply
& fund a consumer loan online





WHAT OUR MEMBERS SAY...

"Thank you Jill Moss and Isabel Estrada for the extraordinary auto loan customer service! The financing rates were the best in town and the extended warranty options and GAP Insurance was about a third of what the dealers charge. I love my new ride! I highly recommend Financial Partners Credit Union for any auto loan."



JILL MOSS & ISABEL ESTRADA,
Mission Valley/San Diego Branch



JOSE CASTRO,
Consumer Lending

"I just started a new car loan and a small savings account, and received excellent customer service from our advisor Jose Castro. Financial Partners has always been much more helpful and responsive than other Credit Unions and financial institutions I have worked with. Even though another Credit Union had a lower rate for a shorter terms, I decided to go with Financial Partners because of your quick approval, quick responses, great communication, and still a low rate."



Not only has FPCU treated me with professional kindness, but also, I feel safe and secure in banking online with them. Just yesterday, I received an email notification alerting me to a change I had just made regarding outside access to my account. It was very pleasing to see that fail-safes are in place to protect my account from possible unauthorized access. Even though in this case it was me, it was awesome to get the warning just the same. Thank you!

Jessica Gomez at the Downey Branch was very knowledgeable, nice, and was there to hear my financial hardship of having all my credit card debt. She really tried her hardest to help me get this consolidation loan. She was very positive, even when I had doubt... I was eventually approved and now I feel like a weight was lifted off my shoulders. I have already recommend her to my co-worker who is looking to consolidate debt also. A BIG THANK YOU, JESSICA!



JESSICA GOMEZ,
Downey Branch



MANUEL DE LA TORRE,
Consumer Lending

I recently applied for a motorcycle loan at Financial Partners. The representative that worked with me was Manuel De La Torre (Consumer Loan Service Adviser). To put it bluntly he was Awesome! It has always been my dream to purchase a Harley Davidson Motorcycle and Manuel made it possible. He was knowledgeable through the whole process, and by being so, put my nerves at ease. I am very grateful and appreciative of his great customer service and very content with choosing Financial Partners for my motorcycle loan over any other bank - or even Harley Davidson's finance team. Thanks again, Manuel!

"Service was EXCELLENT! While I was asking questions, Tavy Chhu was researching other alternatives. She provided precise details about options, and made recommendations that were favorable to the member -- me! -- by suggesting ways to accomplish a deposit timely and NOT pay fees. Tavy provided excellent service! This is why I'm a member of Financial Partners. I always feel welcome and the staff is always finding ways to help members! We have and will continue to recommend FPCU to our acquaintances. Thank you!"



TAVY CHUU,
Member Contact Center

Financial Partners is the best bank for mortgage lending. Roy, Juan, and Toni were so helpful! They approved & closed our loan faster than any other lender. We couldn't have done it without their great service. Financial Partners also had the best mortgage rate on the market. I highly recommend!



(From left)
ROY PONCE, Woodland Hills Branch
JUAN JIMENEZ, Mortgage Lending
TONI FITZPATRICK, Mortgage Lending

BOARD OF DIRECTORS



Ralph Crowther
Chairman of the Board



Barbara Smith
Vice Chair



Alan Bergman
Treasurer



Yves Pinkowitz
Secretary



Donna Clawson



William Feaster



Paul Geery



Mario Guerra



Joe Spetz

ASSOCIATE BOARD MEMBERS



Jo-Anne Martin



Alex Saab



Gary Macheel

Emeritus Board Member

SUPERVISORY COMMITTEE



Caryn Phillips, Chair



Steve Koester



Vince Workman

EXECUTIVE MANAGEMENT



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

STATEMENT OF FINANCIAL CONDITION

	2018	2019
ASSETS		
Cash and cash equivalents	\$66,677,272	\$48,092,861
Investments		
Available for Sale	126,632,293	97,108,348
Other	10,479,459	7,092,053
Loans held for sale	25,534,966	27,217,740
Loans (net)	1,092,914,514	1,241,550,350
Accrued interest receivable	3,530,471	3,663,535
Mortgage servicing rights	7,597,447	10,238,392
Property & equipment (net)	15,680,992	28,727,338
NCUSIF deposit	10,345,894	10,779,293
Other assets	18,714,874	28,708,180
Total Assets	\$1,378,108,182	\$1,503,178,090
LIABILITIES AND MEMBERS' EQUITY		
Members' shares	1,137,830,157	1,245,660,524
Borrowed funds	95,000,000	100,000,000
Accrued expenses & other liabilities	16,424,552	20,405,804
Total Liabilities	\$1,249,254,709	\$1,366,066,328
Members' equity		
Retained earnings	103,484,057	110,806,181
Equity acquired in mergers	28,797,821	28,797,821
Accumulated other comprehensive loss	(3,428,405)	(2,492,240)
Total Members' Equity	\$128,853,473	\$137,111,762
Total Liabilities and Members' Equity	\$1,378,108,182	\$1,503,178,090

STATEMENT OF INCOME

	2018	2019
INTEREST INCOME		
Loans	\$42,612,934	\$47,621,801
Investments & cash equivalents	4,448,500	3,884,146
Total Interest Income	\$47,061,434	\$51,505,947
INTEREST EXPENSE		
Members' shares	7,203,669	10,780,296
Borrowed funds	1,621,347	1,940,893
Total Interest Expense	\$8,825,016	\$12,721,189
Net interest income (NII)	38,236,418	38,784,758
Provision for loan losses	5,645,803	1,775,282
NII after Provision for Loan Losses	\$32,590,615	\$37,009,476
NON-INTEREST INCOME		
Overdraft income	3,544,271	3,391,630
Interchange income	4,157,411	4,357,455
Mortgage banking income	1,904,269	3,764,241
Service charges and other fees	2,004,804	1,907,831
Financial services and insurance commission income	1,519,813	1,536,277
Gain on building sale	431,739	-
Other non-interest income	4,871,772	3,009,071
Total Non-Interest Income	\$18,434,079	\$ 17,966,505
NON-INTEREST EXPENSE		
Salaries & benefits	24,120,782	25,824,862
Office operations	8,592,891	9,732,949
Loan servicing	4,561,628	4,148,022
Office occupancy	3,183,164	3,309,506
Professional fees	2,429,625	2,777,819
Other non-interest expense	1,971,009	1,860,699
Total Non-Interest Expense	\$44,859,099	\$47,653,857
Net Income	\$6,165,595	\$7,322,124



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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.