

# DEFYING GRAVITY

2020 ANNUAL REPORT



▲ Our members get

**\$16.1M IN  
DIRECT  
BENEFITS\***

through higher savings rates,  
lower loan rates and fewer fees.

# CHAIRMAN & CEO MESSAGE



**RALPH CROWTHER**  
Chairman of the Board



**NADER MOGHADDAM**  
President & CEO

It is through an optimistic lens that we share some of the highlights of what turned out to be an unprecedented year.

In 1937, a group of North American Aviation employees, weary of watching their fellow workers unable to get credit or earn a fair return on their savings, pooled their savings to form a credit union. The seeds planted then continue helping members today with life's financial journey from the first savings account to all the following needs and ultimately to the transfer of assets to the next generation. Our vision is and has always been "Building Lifetime Financial Partnerships."

That partnership was in full view in 2020. The year started like any other; branches, contact center, and support teams operated normally; we continued visiting sponsor companies and pursued charitable engagements in the communities we serve. All of that changed suddenly when the reality of the global pandemic and the state-wide stay-at-home order eviscerated our sense of normalcy: over 20 million unemployed and more than 340,000 American lives lost by year-end. While we could never have imagined the events of 2020, we are proud to report Financial Partners reacted quickly and with poise. Our well-founded discipline in business continuity planning and sustained commitment to infrastructure investment prepared us for the unimaginable event. The resiliency and dedication of our team were on full display, as 75% of the staff began working remotely while all branches remained open without any service disruption.

Your Credit Union stood strong throughout 2020 as we welcomed 9,000 new members, ending the year with 85,000 members and over \$1.8 billion in assets. Assets grew by a whopping \$251 million

while generating \$11.3 million in net income. Total deposits grew by \$244 million or 20% to \$1.5 billion, and Investment Advisory Services ended the year with \$325 million in assets under management.

The all-time low rate environment allowed the Credit Union to make over \$1.3 billion in loans helping 13,000 members upgrade their transportation, move to a new home or reduce their monthly payments by refinancing their existing loans. Financial Partners continued to innovate and lead the market by being among the first to implement job loss protection for all new auto loan borrowers at no cost to the members. We now provide student loan refinancing and expanded Commercial Lending to WA, OR, NV & AZ. Through it all, we ended 2020 with an impressive \$2.91 billion loan servicing portfolio while maintaining pristine credit quality.

Financial Partners also received BankOn certification for the EZ Card account. BankOn's goal is to ensure everyone has access to a safe and affordable financial institution. The EZ Card, is a checkless money management account, and the newly launched Credit Builder loan program is designed to help members build or rebuild their credit.

In a year of uncertainty, your Credit Union remained focused on serving members and delivering great overall value. We are proud that in an environment where the service industry as a whole saw a widespread decline in Net Promoter Score (NPS - the gold standard for measuring loyalty and satisfaction), our NPS remained strong at 74, compared to the bank average of 36.<sup>1</sup> Also, the Credit Union National Association 2020 Member Benefits Report found that Financial

Partners provided \$405 in direct benefits per member household for a total of \$16.1 million total value to members.<sup>2</sup>

True to our vision we helped members through the ups and downs caused by COVID by deferring \$160 million in loan payments and mortgage forbearances to assist those most impacted by the pandemic. We received SBA approval to offer Payment Protection Program (PPP) loans for small businesses and provided \$6 million in loans, helping more than 190 local businesses and saving over 800 jobs locally. And found ways to continue supporting local communities by participating in charitable events and with non-profit partners thru virtual channels, donations, and sponsorships. This included hosting the 4th Annual Economic Forum and the 2nd Annual Financial Partners Seal Beach Turkey Trot virtually!

COVID 19 related challenges notwithstanding, investments in branch and digital access continued. We opened two new branch locations in Mission Viejo and Seal Beach and relocated the Irvine branch and San Diego VA office to more central locations. Additionally, we began developing the recently acquired 52,000sf Costa Mesa facility which will serve as a secondary operations center and a future branch, scheduled to open mid-2021.

By implementing a new state-of-the-art phone system, we now provide better integration of all contact options including, phone, email, chat, and text. It didn't stop there; the mobile payment offering got an additional boost with the addition of Zelle and was further rounded out by adding Google Pay to Apple and Samsung Pay.

One of the many ways Financial Partners supports the served communities is by focusing on children and youth as they represent the future. Our commitment centers around three areas, STEM learning, financial education, and health. As a nod to our aerospace roots, we continued to sponsor City of STEM, LA's month-long science festival, and Rocket Fever, a Southern California tradition. We supported more than 900 high schoolers with over 3,700 hours of digital financial education promoting financial well-being over their lifetime. In support of children's mental and physical health, we supported Children's Miracle Network, TLC, and ARC, just to name a few.

2020 tested all of us, and in the end, we believe it stretched us to go further and climb higher. Most importantly, it reminded us that connection is one of our most cherished assets. We look forward to continuing to support your financial journey by providing intuitive solutions to help you attain your financial goals.

On behalf of the entire Financial Partners team, we consider it an honor and privilege to serve you and sincerely thank you for your engagement!

**Ralph Crowther**, Chairman of the Board

**Nader Moghaddam**, President & CEO

<sup>1</sup>US Financial Services 2020, www.Statista.com <sup>2</sup>Credit Union National Association and DataTrac 2020 Member Benefit Report



**ALAN BERGMAN**  
Treasurer

## TREASURER'S REPORT

The 2020 Audited Financial Statements represent a record year for Financial Partners and its member-owners. During the year, assets grew by \$251.2 million or 17% reaching \$1.75 billion, a new milestone. Operational performance was also at record levels with revenue of \$83.9 million, 21% better than prior year, and Net Income of \$11.3 million, 54% better than prior year. With dual challenges of the COVID-19 pandemic and the lowering of interest rates by the Fed, management worked diligently to maintain a healthy income stream, a strong balance sheet and effectively addressed record member loan demand and COVID-19 related loan deferments.

Core building blocks for fulfilling the vision of "Building Lifetime Financial Partnerships" – shares, loans, and capital – continued to grow in 2020. At year-end total shares of \$1.5 billion were up 20% from prior year; loan portfolio of \$1.4 billion was 7% higher than prior year; and the Credit Union equity (capital) stood at \$148.2 million. The net worth ratio of 8.29% is 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 the consumer, commercial, and residential mortgage portfolios. The net charge-offs as a percentage of average loans were 0.16%, lower than prior year, and near historic lows.

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



**CARYN PHILLIPS**  
Chair

## SUPERVISORY COMMITTEE'S REPORT

The Supervisory Committee is responsible for monitoring the overall financial safety and soundness of the Credit Union, to ensure compliance with various financial and regulatory requirements, as well as adherence to operating 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, 2020. The summary of Financial Partners' Consolidated Statement of Financial Condition as of December 31, 2020, 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.

## BOARD OF DIRECTORS



**RALPH CROWTHER**  
Chairman



**BARBARA A. SMITH**  
Vice Chair



**YVES PINKOWITZ**  
Secretary



**ALAN BERGMAN**  
Treasurer



**DONNA P. CLAWSON**



**WILLIAM FEASTER**



**PAUL GEERY**



**MARIO A. GUERRA**



**ALEX SAAB**



**GARY MACHEEL**  
Emeritus



**JOE SPETZ**  
Emeritus



**JO-ANNE MARTIN**  
Associate



**CARYN PHILLIPS**  
Chair



**STEVE KOESTER**



**VINCE WORKMAN**

## SUPERVISORY COMMITTEE

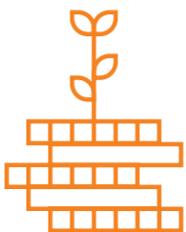


## EXECUTIVE MANAGEMENT

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

# 2020 RECAP

## BY THE NUMBERS



# \$1.3 BILLION

### HISTORIC LOAN ORIGINATION



**\$1.8 BILLION**  
IN ASSETS

**85,000**  
MEMBERS STRONG



**3 NEW BRANCHES IN ORANGE COUNTY**  
MISSION VIEJO  
SEAL BEACH  
IRVINE

### HELPED COMMUNITIES RECOVER FROM COVID-19



**\$160 M**

IN DEFERRED  
LOAN PAYMENTS  
& MORTGAGE FOREBEARANCES

BUSINESS REMAINED UNINTERRUPTED  
THROUGHOUT THE CRISIS

\$6 MILLION IN PPP LOANS FUNDED

HELPING **190** LOCAL  
BUSINESSES

SAVING **800** LOCAL JOBS

SPONSORED NEARLY  
**200** EVENTS  
INCLUDING



SPONSORED BY FINANCIAL PARTNERS CREDIT UNION



4TH ANNUAL  
ECONOMIC  
FORUM

ATTENDED BY 400+ BUSINESS OWNERS AND CITY LEADERS



## INTRODUCED NEW PRODUCTS TO HELP MEMBERS



**JOBLESS PROTECTION FOR AUTO LOANS**

AN ADDED BENEFIT TO AUTO LOANS

Provides 12-months of coverage beginning on auto loan funding date.

**STUDENT LOAN REFINANCE**

Allows refinance up to \$125,000 in Undergraduate debt or up to \$175,000 in Graduate debt.

**CREDIT BUILDER LOAN**

A way to establish, repair, and improve a credit score by making on-time monthly payments.



A "checkless checking account" - providing "easy" account access with a reloadable debit card.

**ZELLE**

A fast, safe and easy way to send money in minutes to friends and family, right from the mobile app.

### FINANCIAL EDUCATION



**3700 HOURS**  
OF FINANCIAL LITERACY  
TO MORE THAN  
**900 STUDENTS**

## STATEMENT OF FINANCIAL CONDITION

	2019	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 48,092,861	\$174,546,580
Investments		
Available for Sale	\$97,108,348	\$110,713,356
Other	\$7,092,053	\$6,986,889
Loans held for sale	\$27,217,740	\$223,029,432
Loans (net)	\$1,241,550,350	\$1,144,291,216
Accrued interest receivable	\$3,663,535	\$3,595,662
Mortgage servicing rights	\$10,238,392	\$11,200,300
Property & equipment (net)	\$28,727,338	\$29,627,293
NCUSIF deposit	\$10,779,293	\$12,544,327
Other assets	\$28,708,180	\$37,876,036
<b>Total Assets</b>	<b>\$1,503,178,090</b>	<b>\$1,754,411,091</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Members' shares	\$1,245,660,524	\$1,490,197,478
Borrowed funds	\$100,000,000	\$77,500,000
Accrued expenses & other liabilities	\$20,405,804	\$38,475,643
<b>Total Liabilities</b>	<b>\$1,366,066,328</b>	<b>\$1,606,173,121</b>
Members' equity		
Retained earnings	\$110,806,181	\$122,061,859
Equity acquired in mergers	\$28,797,821	\$28,797,821
Accumulated other comprehensive loss	\$(2,492,240)	\$(2,621,710)
<b>Total Members' Equity</b>	<b>\$137,111,762</b>	<b>\$148,237,970</b>
<b>Total Liabilities and Members' Equity</b>	<b>\$1,503,178,090</b>	<b>\$1,754,411,091</b>

## STATEMENT OF INCOME

	2019	2020
<b>INTEREST INCOME</b>		
Loans	\$47,621,801	\$49,490,868
Investments & cash equivalents	\$3,884,146	\$1,874,137
<b>Total Interest Income</b>	<b>\$51,505,947</b>	<b>\$51,365,005</b>
<b>INTEREST EXPENSE</b>		
Members' shares	\$10,780,296	\$12,266,574
Borrowed funds	\$1,940,893	\$2,533,298
<b>Total Interest Expense</b>	<b>\$12,721,189</b>	<b>\$14,799,872</b>
<b>Net Interest Income (NII)</b>	<b>\$38,784,758</b>	<b>\$36,565,133</b>
Provision for loan losses	\$1,775,282	\$2,079,625
<b>NII after Provision for Loan Losses</b>	<b>\$37,009,476</b>	<b>\$34,485,508</b>
<b>NON-INTEREST INCOME</b>		
Overdraft income	\$3,391,630	\$2,377,238
Interchange income	\$4,357,455	\$3,984,638
Residential mortgage & commercial banking income	\$4,378,927	\$20,294,230
Service charges and other fees	\$1,755,215	\$1,562,864
Financial services & insurance commission income	\$1,536,277	\$1,434,363
Other non-interest income	\$2,547,001	\$2,856,306
<b>Total Non-Interest income</b>	<b>\$17,966,505</b>	<b>\$32,509,639</b>
<b>NON-INTEREST EXPENSE</b>		
Salaries & benefits	\$25,824,862	\$31,058,173
Office operations	\$9,732,949	\$10,088,233
Loan servicing	\$4,148,022	\$5,557,503
Office occupancy	\$3,309,506	\$4,340,972
Professional fees	\$2,777,819	\$2,671,111
Other non-interest expense	\$1,860,699	\$2,023,477
<b>Total Non-Interest expense</b>	<b>\$47,653,857</b>	<b>\$55,739,469</b>
<b>Net Income</b>	<b>\$7,322,124</b>	<b>\$11,255,678</b>



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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.