



THE PATH FORWARD

2023 ANNUAL REPORT

FROM THE **CHAIRMAN & CEO**

2023 was a very interesting year! If it were a movie it would qualify as an action-packed thriller. The country saw high interest rates, continued inflation, bank failures, tightening of the money supply, geopolitical challenges, and much more. All of these conditions had a significant impact on the economy. Yet, despite it all, your Credit Union proactively responded to these challenges and continued to provide you with beneficial services, enhanced technology, and products that create value.

The Credit Union ended the year with over **90,000 members and \$2.3 billion in assets**. We originated **\$205 million in loans** and added **\$120 million in member deposits** while remaining safe, sound, and well-capitalized. We're proud to continue our role as good stewards of your money!

Part of the reason for our continued growth is the exceptional financial value we provide. A recent report from America's Credit Unions Association showed with higher savings rates, lower loan rates, and lower fees, **Financial Partners provided over \$33 million in direct financial benefits to members**—that's nearly \$800 per household. For comparison, the average credit union in California returns less than half that amount.

The value we provide members has been noticed. The special 8-month certificate was featured in several national publications, with Forbes calling it "undoubtedly one of the best CD rates in California." And earlier in the year, the Opportunity Knock\$ financial TV series

on PBS featured Financial Partners as **we saved a local couple \$1,000 per month** by consolidating their high-rate debt!

Another exciting program launched this year was Pay with Points, which lets members redeem their APEX rewards points to pay for purchases right at the cash register at selected merchants, including Walmart, CVS, and Walgreens. APEX Rewards is the Credit Union's program that gives reward points for using a debit card, Rewards credit card, getting a loan, and more. Members are loving APEX Rewards—**over 63 million points have been redeemed!** We're gratified that members find the APEX Rewards program to be so valuable and we will continue to look for new ways to reward members for doing business with Financial Partners.

**FINANCIAL PARTNERS PROVIDED
OVER \$33 MILLION IN DIRECT
FINANCIAL BENEFITS TO MEMBERS—
THAT'S NEARLY \$800 PER HOUSEHOLD.**

Focusing on the success of our team enables them to provide the highest level of service to our members. We're pleased to be recognized as a 2023 Gallagher Best-in-Class employer. This award underscores our commitment to supporting our team members' physical, emotional, career and financial wellbeing.

That level of service was demonstrated in a Net Promoter Score (NPS) of 77, which continues to be

more than double the average banking NPS of 35. As always, we appreciate the valuable feedback from our members, and we're delighted that we are exceeding your expectations. We care about what you have to say, and your input is invaluable to the Credit Union's goal of continuous improvement.

In November, we relocated the Rancho Dominguez branch to the vibrant Long Beach Exchange shopping center. This new **state-of-the-art branch**, in a highly visible retail center, with easy access and ample parking provides a convenient location to serve members. If you haven't seen the beautiful new Long Beach branch, we encourage you to come by!

We've enhanced other service channels too. Nova, our conversational artificial intelligence (AI) platform, was integrated into the Bank by Phone service. You can speak your requests and questions to Nova in plain English and get a customized response. Questions can be answered 24/7, using Nova through website chat or by phone. Over **89% of members** who interact with Nova by phone get their questions answered on the spot.

“ I purchased a vehicle and the dealer financing was horrible. After speaking with the Financial Partners team, they were able to save about 10% on my rate. My dad told me a long time ago, relationships are everything. I feel like I have an important relationship with Financial Partners. ”

- Santiago Chambers



Our digital presence continued to evolve with enhanced features and functionality. For example, when getting a new or replacement Financial Partners credit or debit card, information is now quickly available on Digital Banking, **so your card can be used immediately** by adding it to a digital wallet without waiting for the physical card to arrive. Another example: it's so "2022" to fill out a paper form to start a payroll Direct Deposit! Now you can set it up on Digital Banking by linking directly to employers and payroll processors.

Based on your feedback, we integrated investment accounts into Digital Banking, so you can get a comprehensive view of your full relationship with Financial Partners. It's no wonder that the FPCU Mobile app has an exceptional **4.9 out of 5 rating** on the App Store.

Partnership Insurance Agency, the Credit Union's fully owned agency, assisted a record number of you with your insurance needs. The enhanced online quote tool makes it simple to get information and apply for a wide range of beneficial insurance, including life, home, auto, and even pet insurance. It's even easier to get the best possible coverage at an excellent rate!

The Credit Union's ongoing commitment to STEM education and financial awareness was stronger than ever. We again supported City of STEM, Southern California's largest event celebrating science, creativity, and invention, and sponsored the keynote speaker, well-known science educator Bill Nye. Through our support of Girls in STEM clubs, which teaches STEM through hands-on learning and experiences, **over forty local clubs have started** through Los Angeles and Orange Counties. More than 500 girls are participating, many from underserved and underrepresented communities. Financial Partners also sponsored Rocket Fever at the Columbia Memorial Space Center, a day of science learning and fun that's the only program of its kind in the area.

Additionally, the Credit Union continued its support of important community organizations that support families and learning by partnering with non-profits and schools. Local high schools were provided with financial literacy curriculum and training. Over **thirty financial education seminars** were held, designed to help families navigate the process of getting into college, building an effective budget, understanding credit, and more. For the third year in a row, we convened the Student Innovation Council, a group of local high school students that spends multiple days over the summer learning about business and financial services, while teaching us a few things too! In October, we held the seventh annual Economic Forum, bringing together community leaders for an informative session with noted economist Christopher Thornberg.

What lies ahead for your Credit Union? As we continue to chart the path forward, one thing will remain constant: our focus on providing the products, services, and information needed to build lifetime financial partnerships with you, our valued members.

We sincerely appreciate your trust and membership and consider it a privilege to serve you!



Nader Moghaddam

NADER MOGHADDAM

PRESIDENT & CEO



Barbara A. Smith

BARBARA SMITH

CHAIRMAN OF THE BOARD



Alan Bergman
ALAN BERGMAN
TREASURER

▲ TREASURER'S REPORT

2023 continued to be another challenging year for the whole financial industry as the increasing interest rates and tightening liquidity environment exerted significant pressure on operating margins. Over the last year your Credit Union worked hard to keep the focus squarely on member service while managing operating expenses and credit losses. While the U.S. Money Supply (M1) declined by 9% during the year, most financial institutions struggled to grow deposits. However, Financial Partners grew member share deposits by \$120 million, an impressive 7.5% increase over the prior year. With the moderating loan demand in the market and deliberate control over loan growth, Financial Partners year end assets of \$2.27 billion stayed relatively flat experiencing a slight decline of \$11 million during the year. On the operating front the credit union posted record revenue of \$113.0 million, a 35% increase over the prior year and Net Income of \$4.8 million, \$4.5 million higher than the prior year.

The Credit Union's ended 2023 with total equity of \$140.1 million, excluding the additional \$35 million in supplemental capital received through the U.S. Treasury Department. This secondary capital qualifies for regulatory capital treatment. The net worth ratio was 8.33%, 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 remain committed to providing a better financial future for our member-owners.

▲ SUPERVISORY COMMITTEE REPORT

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



Caryn Phillips
CARYN PHILLIPS
CHAIR

The certified public accounting firm of Moss Adams, LLP assists the Committee in carrying out its responsibilities. Their independent opinion audit report as of December 31, 2023, indicates the financial statement fairly represents the financial condition and operational results of the Credit Union. The summary of Financial Partners' Consolidated Statement of Financial Condition as of December 31, 2023, 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 financially solid and remains sound and secure.

▲ FINANCIAL PARTNERS YEAR IN REVIEW



63 MILLION APEX REWARD POINTS REDEEMED
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NEW LONG BEACH BRANCH LOCATION



PARTICIPATED IN 78 COMMUNITY EVENTS

MORE THAN 90,000 MEMBERS

\$2.3 BILLION IN ASSETS

2023 STATEMENT OF FINANCIAL CONDITION

	2022	2023
ASSETS		
Cash and cash equivalents	\$107,583,224	\$116,480,073
Securities available-for-sale, at fair value	189,509,522	182,023,841
Other Investments	11,010,999	12,331,299
Loans held for sale, at fair value	1,379,000	-
Loans receivable (net)	1,857,025,882	1,834,301,153
Accrued interest receivable	5,945,218	7,049,052
Mortgage servicing rights	14,943,087	18,779,000
Life insurance contracts	20,315,267	21,404,719
Property & equipment (net)	29,053,533	28,238,776
NCUSIF deposit	14,416,215	16,518,801
Other assets	34,192,789	37,376,226
Total Assets	\$2,285,374,736	\$2,274,502,940
LIABILITIES AND MEMBER'S EQUITY		
Members' shares	\$1,593,200,085	\$1,712,769,172
Nonmembers' deposits	130,157,041	127,803,900
Borrowed funds	389,400,000	261,079,183
Accrued expenses & other liabilities	32,410,952	32,762,488
Total Liabilities	\$2,145,168,078	\$2,134,414,743
MEMBERS' EQUITY		
Undivided earnings	\$134,105,144	\$130,904,050
Equity acquired in mergers	28,924,694	28,924,694
Accumulated other comprehensive loss	(22,823,180)	(19,740,547)
Total Members' Equity	\$140,206,658	\$140,088,197
Total Liabilities and Members' Equity	\$2,285,374,736	\$2,274,502,940

2023 STATEMENT OF INCOME

	2022	2023
INTEREST INCOME		
Loans	\$59,117,041	\$82,860,801
Investments & cash equivalents	6,912,300	9,059,891
Total Interest Income	\$66,029,341	\$91,920,692
INTEREST EXPENSE		
Members' shares & deposits	\$10,220,704	\$30,324,386
Borrowed funds	7,781,923	9,007,713
Total Interest Expense	\$18,002,627	\$39,332,099
Net Interest Income (NII)	\$48,026,714	\$52,588,593
Provision for credit losses	2,583,745	3,683,577
NII after Provision for Credit Losses	\$45,442,969	\$48,905,016
NON-INTEREST INCOME		
Overdraft income	\$3,274,119	\$3,707,982
Interchange income	5,379,814	5,498,109
Residential mortgage & commercial banking income	5,053,424	4,967,382
Service charges and other fees	1,926,953	2,217,553
Financial services & insurance commission income	1,748,540	1,637,907
Loss on marketable equity securities	(3,593,526)	-
Grant income	690,000	660,000
Other non-interest income	3,220,222	2,361,199
Total Non-Interest Income	\$17,699,546	\$21,050,132
NON-INTEREST EXPENSE		
Salaries & benefits	\$33,714,075	\$33,620,925
Office operations	12,824,237	12,518,982
Loan servicing	6,186,544	5,982,545
Office occupancy	4,447,371	4,345,118
Professional fees	3,154,437	3,907,437
Other non-interest expense	2,520,640	4,817,459
Total Non-Interest Expense	\$62,847,304	\$65,192,466
Net Income	\$295,211	\$4,762,682

