



ANNUAL REPORT 2013

New Peaks to Conquer

Financial Partners
CREDIT UNION



EVERY PEAK
Is Within Reach

“Do not go where the path may lead, go instead where there is no path and leave a trail.”

– Ralph Waldo Emerson

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Earl S. Washington

**Earl S.
Washington**
Chairman
of the Board

Nader Moghaddam

**Nader
Moghaddam**
President & CEO

It is hard to believe, but in 2013 we celebrated 75 years of financial partnerships with the members and communities we serve. In 1937, eight North American Aviation employees pooled their meager savings and formed the Credit Union. Since then we've reached many milestones, experienced much growth and addressed multiple challenges while celebrating the successes of our partnership along the way.

We commemorated this special anniversary at a companywide meeting last February. The special guest was Dr. Thomas McCloy, son of Sproul McCloy, who in 1942 was the Credit Union's first full-time employee. We have come a long way since he served members in an office near the tool shop in the east parking lot of the Inglewood plant. With the same passion and sense of duty, we continue the tradition of providing our member-owners with outstanding financial products and unparalleled service.

With \$859 million in assets and servicing \$1.2 billion in member loans, your Credit Union is well positioned to help each of our 62,000 members achieve their financial goals. Due in large part to an improving economy, many members took advantage of the competitive mortgage and other loan rates, enabling them to reduce their payments and save millions in interest! At the same time, member shares in the savings and checking products grew at a healthy clip. Equally gratifying was the growth in alternative investments, as assets under management reached \$221 million.

Over the past few years the Credit Union has pursued a three-pronged growth strategy focused on the aerospace and healthcare industries and the communities around our branches. Aligned with that strategy, the Credit Union successfully consummated a merger with CarePoint Federal Credit Union and welcomed 9,000 healthcare industry members. This merger is a great marriage of two organizations that share mutual objectives and member service values.

With membership and assets at all-time highs, we made a significant investment in new technology, further enhanced products and services, and upgraded the physical infrastructure, including a major renovation of our headquarters facility. Additionally, we opened our first *Smart Branch* in Orange, Calif. This branch opened to very positive response from members and the local and trade media. The *Smart Branch* takes a friendly, high-touch approach to the high-tech service experience. These investments will benefit the membership now and in years to come.

CHAIRMAN AND PRESIDENT'S *Message*

We reflect on our 75 year legacy of member service and value with pride. Rest assured, your Credit Union is committed to scaling new peaks with you and your family for years to come!

New Services. We are all about convenience. In 2013, enhanced service delivery met the needs of increasingly on-the-go, tech-savvy members. We are delighted that record numbers of members used the FPCUmobile app to make deposits, pay bills, transfer funds and more from their smart phones. The new Send Money function enables fund transfers to anyone, anywhere with just a cell phone number or email address. Enhanced online services included a self-service password re-set, online membership enrollment, and upgraded consumer loan applications, and with e-sign, members can fund loans faster. For online shoppers and others, we introduced the eZ Card, a pre-paid reloadable debit card providing the convenience of a checking account without the hassle of balancing a checkbook. Now, members can shop online with confidence, and parents can conveniently load their children's eZ Card and monitor their spending through online banking or FPCUmobile.

Member Satisfaction. Few things are more important to your Credit Union than member satisfaction. We thank the many members who responded to our satisfaction surveys throughout the year. Your input is invaluable in improving products and services and in future planning. When it comes to service, it's the people who make the difference. We are proud of our team and thrilled that the 2013 member survey showed 94% of Credit Union members are "satisfied" or "very satisfied" with our service. Additionally, the overall Net Promoter service score for the Credit Union stood at 77%,

well above banks and among the elite in the financial services industry.

Community. In the credit union spirit of "people helping people," we participated in over 40 community events, ranging from Children's Miracle Network (CHOC and Children's Hospital Los Angeles), the 62nd Annual City of Downey Holiday Parade, Boeing Leadership Association, GOOD, the Future Innovators Scholarship fund at Columbia Memorial Space Center, and many others.

Most importantly, as good "financial partners" we offer financial education in order to help members manage their assets more wisely. Someone once said, "Education is learning to use the tools which mankind has found indispensable." Increasingly, financial education is becoming indispensable. In 2013, we conducted 113 investment and money management seminars for members and the public. The realities of our times necessitate protection against identity theft. To help members protect themselves we introduced additional training resources on the website and began offering a very competitively priced identity theft protection program.

We reflect on our 75 year legacy of member service and value with pride. Thank you for your membership and rest assured, your Credit Union is committed to scaling new peaks with you and your family for years to come!



Strategic Initiatives

Merger with CarePoint Federal Credit Union
Major Support Center renovation

Member Services

First *Smart* Branch
24/7 Loan-By-Phone
Online loan application upgrade
Online 24/7 Home Loan status
Online self-service password re-set
Financial Literacy Program

Community Participation

Children's Hospital of Orange County
CHOC Walk
Hospital Employees' Week
Boeing Leadership Association of Southern California
Physicians' Week
Columbia Memorial Space Center's
Future Innovators Scholarships
Nurses' Week
Major Sponsor, 2013 City of Downey
Holiday Parade

KEY

Achievements

PEAK
Performance

New Loans \$327m

GROWTH 11,600 New members
\$1.2B Loan Servicing Portfolio

\$6.4^{Net Income}
MILLION

\$7.8 *Value*
Million

Satisfied/Very Satisfied

113

EDUCATION SEMINARS

SERVICE

94%

Member satisfaction scores

Equity
9.58%

\$221 **M**

ASSETS UNDER MANAGEMENT

24/7

Loan-By-Phone



Barbara A. Smith

Barbara A. Smith
Treasurer

The 2013 Audited Financial Statements represent a healthy year for Financial Partners Credit Union. Net Income for the year was \$6.4 million, one of the best financial performances in the Credit Union's entire history. Financial Partners Credit Union worked diligently to strengthen the income stream and balance sheet by prudently managing credit losses, the Asset/Liability structure, and operating expenses. Financial Partners completed the merger with CarePoint Federal Credit Union.

This merger increased the net worth by \$4.8 million and added over 9,000 new members. The Credit Union continued in the "Well Capitalized" category, as defined by the National Credit Union Administration (NCUA), while growing assets by \$65 million to reach \$859 million, and improving the net worth ratio to 9.58%.

Your Board of Directors and management team are committed to the long-term success of the membership.

TREASURER'S *Report*

The 2013 Audited Financial Statements represent a healthy year for Financial Partners Credit Union. Your Board of Directors and management team are committed to the long-term success of the membership.



Gary W. Macheel
Supervisory Committee Chairman

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 set forth by appropriate governing entities including the State of California Department of Business Oversight (DBO) and the National Credit Union Administration (NCUA). To accomplish this, the Supervisory Committee retained the services of the independent audit firm of McGladrey, LLP to complete the Financial Partners audit and examine the consolidated financial statements as of December 31, 2013. For six consecutive years, the firm has issued an unqualified opinion in their Independent Auditors' Report. The summary of Financial

Partners' Consolidated Statements of Financial Condition as of December 31, 2013 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, and has applied the policies and procedures established by the Board of Directors. It is the opinion of the Supervisory Committee that your Credit Union is in a strong financial position and is operated in a safe and sound manner.

SUPERVISORY COMMITTEE *Report*

It is the opinion of the Supervisory Committee that your Credit Union is in a strong financial position and is operated in a safe and sound manner.

STATEMENT OF FINANCIAL CONDITION

ASSETS	2013	2012
Cash and cash equivalents	\$ 66,735,038	\$ 68,367,738
Investments:		
Available for sale	160,349,835	156,077,667
Other	13,381,664	8,792,000
Loans held for sale	7,445,350	7,099,750
Loans (net)	582,223,628	530,054,884
Accrued interest receivable	2,148,740	2,061,704
Premises and equipment (net)	5,765,453	4,304,059
NCUSIF deposit	7,006,889	6,596,111
Other assets	13,894,374	11,012,194
Total assets	\$858,950,971	\$794,366,107

LIABILITIES AND MEMBERS' EQUITY	2013	2012
Investments:		
Members' shares	\$ 716,322,533	\$ 671,193,891
Borrowed funds	50,000,000	30,000,000
Accrued expenses and other liabilities	11,088,268	21,487,010
Total liabilities	777,410,801	722,680,901
Commitments and contingent liabilities		
Members' equity		
Retained earnings	72,000,264	65,608,205
Equity acquired in merger	10,564,444	5,503,067
Accumulated other comprehensive income (loss)	(1,024,538)	573,934
Total members' equity	81,540,170	71,685,206
Total liabilities and members' equity	\$ 858,950,971	\$ 794,366,107

STATEMENT OF INCOME

	2013	2012
INTEREST INCOME:		
Loans	\$ 23,904,288	\$ 24,724,365
Investments and cash equivalents	2,229,367	1,536,686
Total interest income	26,133,655	26,261,051
INTEREST EXPENSE:		
Members' shares	3,393,432	3,972,024
Borrowed funds	693,316	610,316
Total interest expense	4,086,748	4,582,340
Net interest income (NII)	22,046,907	21,678,711
PROVISION FOR LOAN LOSSES	(918,000)	2,705,000
NII after provision for loan losses	22,964,907	18,973,711
NON-INTEREST INCOME:		
Overdraft income	2,378,029	2,522,231
Financial services and insurance	1,647,815	1,643,292
Debit card interchange income	1,818,580	1,629,122
Service charges and other fees	547,849	565,091
Gain on sale of loans	3,968,342	7,187,089
Other	2,321,845	(1,574,204)
Total non-interest income	12,682,460	11,972,621
NON-INTEREST EXPENSE:		
Salaries and benefits	14,819,801	13,547,989
Operations	11,218,218	9,001,086
Occupancy	2,686,726	1,889,356
NCUSIF assessment	530,563	626,631
Total non-interest expense	29,255,308	25,065,062
Net income	\$ 6,392,059	\$ 5,881,270

THE LEADERSHIP BEHIND OUR PERFORMANCE



Earl S. Washington
Chairman

Ralph Crowther
Vice Chairman

Barbara A. Smith
Treasurer

Richard C. Seamans
Secretary



Earl Beauvais

Alan Bergman

Jeff Mathews

Jack Shuler



Joe Spetz

Steve Koester
Associate Board Member

Yves Pinkowitz
Associate Board Member

Don Plog
Director Emeritus

BOARD OF *Directors*

The Board of Directors and Supervisory Committee are made up of Credit Union members who volunteer their time, giving many hours throughout the year for the benefit of the entire membership.

SUPERVISORY
Committee



Gary W. Macheel

Chairman

Donna P. Clawson

Caryn Phillips



Nader Moghaddam

President & CEO

Mary Torsney

SVP, Chief Financial Officer

Michael Patterson

SVP, Chief Lending Officer

Laura Szitar

SVP, Human Resources & Administration



Wanda Williams

SVP, Planning, Technology & Risk Management

John Saatela

SVP, Marketing & Public Relations

Laurie Tyler

VP, Sales & Member Service

Mario Osorio

VP, Investments & Insurance

EXECUTIVE
Management

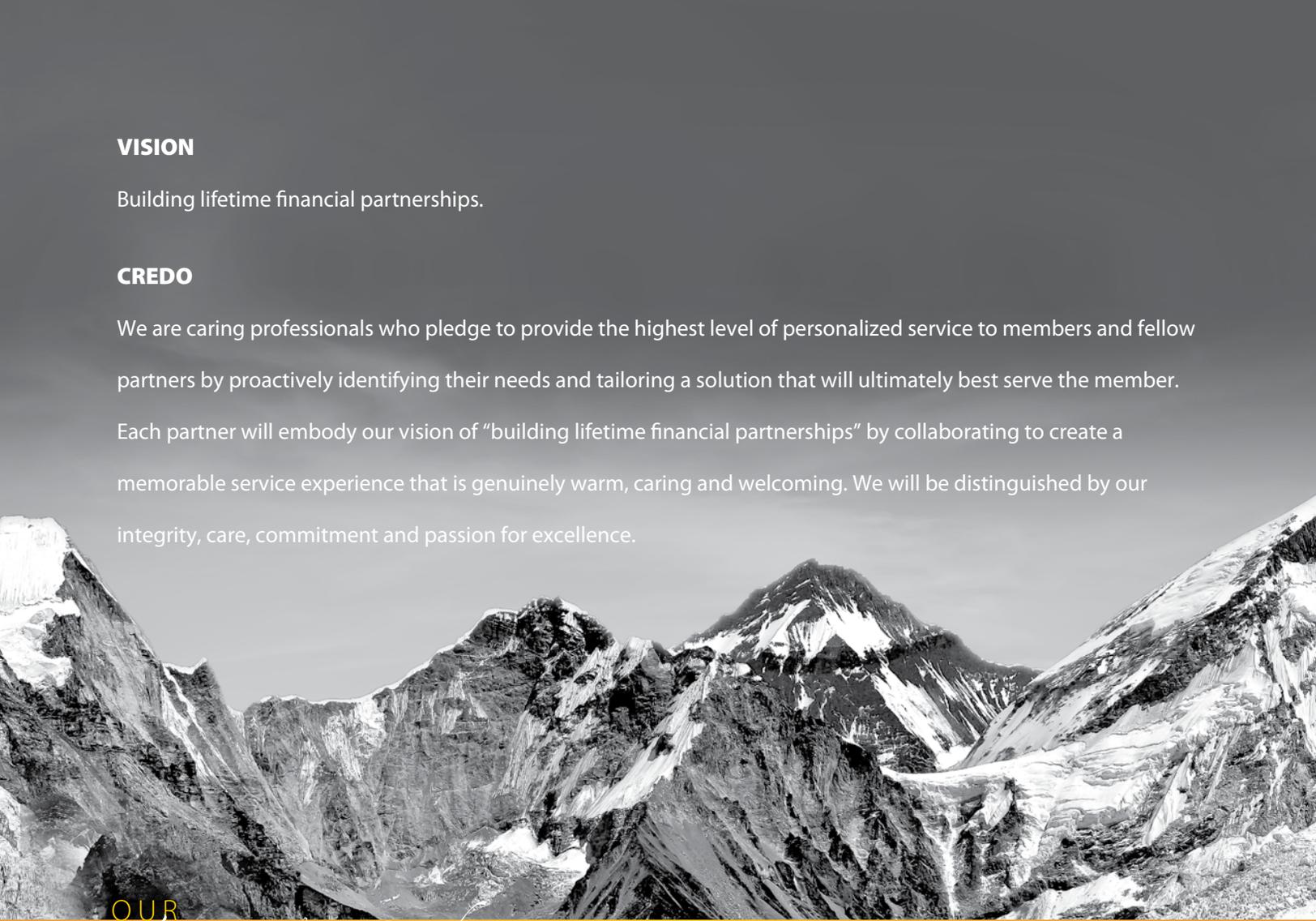
Our achievements made 2013 another banner year. The dedication, collaborative spirit and cooperative efforts of our Board of Directors, Supervisory Committee and management led to our success.

VISION

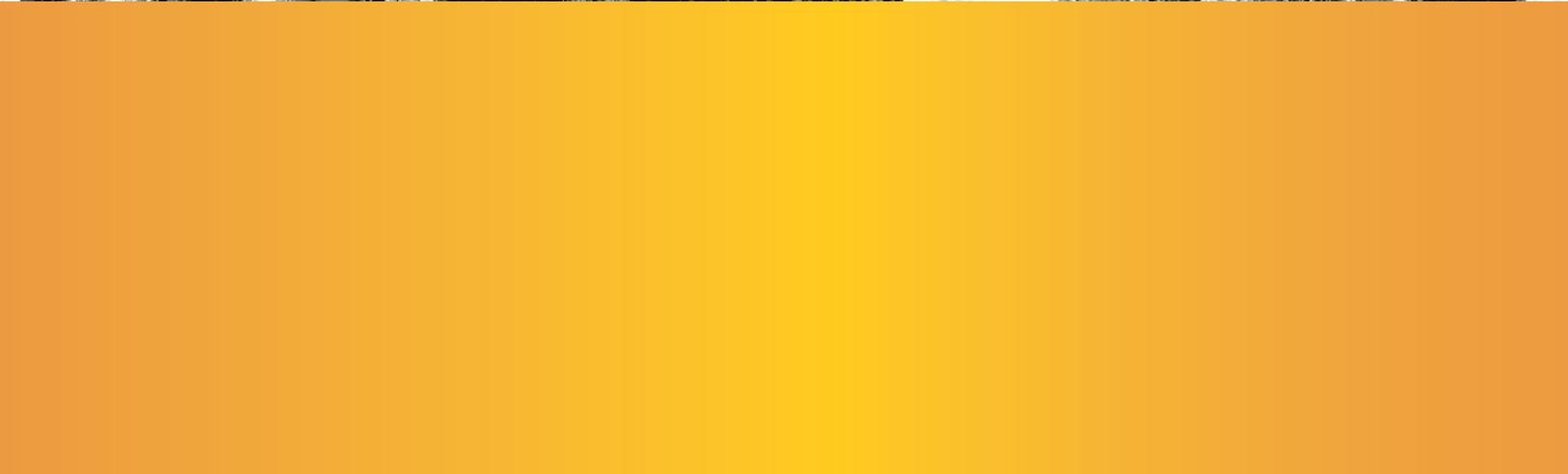
Building lifetime financial partnerships.

CREDO

We are caring professionals who pledge to provide the highest level of personalized service to members and fellow partners by proactively identifying their needs and tailoring a solution that will ultimately best serve the member. Each partner will embody our vision of “building lifetime financial partnerships” by collaborating to create a memorable service experience that is genuinely warm, caring and welcoming. We will be distinguished by our integrity, care, commitment and passion for excellence.



OUR
Vision & Credo



Financial Partners
CREDIT UNION

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www.fpcu.org



your savings federally insured to at least \$250,000 and backed by the full faith and credit of the United States Government