

LOAN COMMITTEE'S REPORT

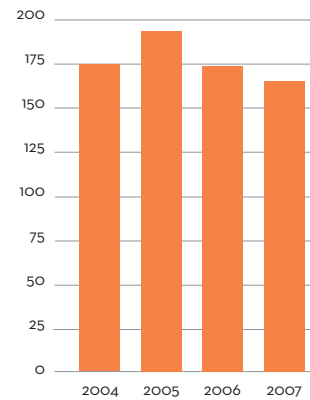
The Loan Committee regularly reviews loan appeals, policies and programs and evaluates loan delinquency and charge-off performance. The committee reviews guidelines for granting credit and the Credit Union's lending practices.

During 2007, we funded approximately \$51.6 million in loans with the majority being auto loans. We have been working with many local franchise dealerships to expedite the purchase process by submitting the paperwork electronically to the Credit Union for on-the-spot approval. Our in-house auto broker (AutoExpert) continues to be a popular resource for our members, enabling them to receive a great price on their new or used vehicle while bypassing the dealership altogether.

As we expand our efforts to better serve your borrowing needs, rest assured that we value your time as much as you do and will do everything we can to give you a quick decision and fast turnaround on your loan application.

Respectfully submitted,
JOHN W. STEELE, Chair

LOANS
(in millions of dollars)



SUPERVISORY COMMITTEE'S REPORT

The Supervisory Committee is appointed by the Board of Directors to oversee the Credit Union's financial condition and operations. We ensure sound financial management and make certain that the Credit Union operates in the best interest of its members. To accomplish this goal, we work with an independent auditing firm, putting checks and balances in place to assure policies and regulations are followed.

The Supervisory Committee retained the services of Turner Warren Hwang and Conrad to conduct an opinion audit of the Credit Union as of September 30, 2007. The final report concluded that the financial position of the Credit Union was appropriately presented and in conformity with generally accepted accounting principles.

Respectfully submitted,
GAIL LE GROS, Chair



BOARD OF DIRECTORS

SUSANNA RUIZ, Chairperson
THOMAS V. PILLA, Vice Chairman
JOHN W. STEELE, Treasurer
LINDA L. LARSEN, Secretary
DOUGLAS L. CARDEN, Director
GEORGE F. CARO, Director
PASTOR HERRERA, JR., Director

MANAGEMENT TEAM

BARBARA L. NALL, President/CEO
ANTHONY CUEVAS, VP/COO
BRIAN GRIFFITH, VP/CIO
DAVID EBERSTEIN, VP/CFO
RENEE MACKANIN, VP/Marketing
PEGGY POLLARD, VP/Lending

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Los Angeles, CA 90012-2464

Norwalk Branch
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www.hccu.org



ANNUAL REPORT 2007

LA FINANCIAL CREDIT UNION



PRESIDENT & CHAIRMAN'S REPORT

Community involvement was a major focus in 2007. LA Financial Federal Credit Union's community involvement goal is to provide financial services and education to the underserved in Los Angeles County.

In 2007, we developed the *LA Financial Read to Achieve for Financial Literacy Program* in partnership with the L.A. Clippers. This program challenges students in elementary and middle school to read financial education books. Each participating student tracked the number of books he or she read and the minutes spent reading. Books and minutes become currency as the students become literate in the world of student finance and begin to understand how dollars make sense. High school students participated in an essay contest to express their knowledge of how earning, saving, spending and borrowing can affect their financial future.



We consider our work in providing financial literacy to be an important community service. In 2007, we developed a financial literacy program and taught a weekly finance class at Salesian High School in Los Angeles. We also conducted several financial education seminars at local community centers in conjunction with our L.A. Clippers partnership.

In 2007, we also partnered with Sam Renick, founder of "It's A Habit! Company," who visited local schools and conducted assemblies encouraging students to read and save money. Mascot Sammy Rabbit entertained the students and "It's A Habit!

Company" books and CDs were distributed to the students and teachers.

For the past several years, including 2007, we have surveyed our membership to find out what we are doing right, what we could do better, and what new products we should introduce. There were several questions on the survey that dealt with access and convenience that we will address in 2008. Members overwhelmingly told us that they prefer to conduct business near their homes. Therefore, we will continue to participate in the Credit Union Shared Branch Network—offering the convenience of over 4,000 credit union branches throughout the United



States, including 59 in Los Angeles County. Members can easily find a local branch by calling **888 CU-SWIRL (287-9475)** or visiting www.cuswirl.com.

Easy cash convenience is also an important benefit to our members. That's why we belong to the CO-OP ATM network, providing surcharge-free access at over 25,000 ATMs, including 6,000 deposit-taking machines. 5,500 7-Elevens also added CO-OP network ATMs to their stores in 2007. Finding a CO-OP ATM is easy with a toll-free number, **888-SITE-CO-OP**, and webpage, www.co-opnetwork.org.

In 2008, we will continue to look for new and improved ways to reach the underserved areas of our community and improve the financial literacy of L.A. County. We thank our members for their continued support of LA Financial Federal Credit Union and look forward to many new and exciting programs in 2008 and beyond.

SUSANNA RUIZ, Chairman
BARBARA L. NALL, President/CEO

TREASURER'S REPORT

2007 was a successful year for LA Financial Federal Credit Union, despite a slow U.S. economy which included: a housing crisis, relatively high oil prices, a slow-down in consumer spending and labor strife in the motion picture/television production industry. Subprime mortgage issues continue to plague the nation's largest banks and most prominent mortgage lenders, forcing those lenders to pull back from lending. However, a strong mortgage portfolio and solid lending standards allow LA Financial to continue to offer mortgage products (including jumbo loans) to those individuals who are looking to purchase or refinance homes.

Our very strong capital base at more than 9% is considered outstanding in our industry, and allows us to continue to offer a full range of services to our members with minimal fees at competitive rates and terms.

2007 financial results were mixed, with improvement in some key areas while others declined. The introduction of our Money Market Maximizer attracted \$38 million and contributed to our positive share growth of 4.97%. We finished the year with almost \$292.6 million in assets—a 6.76% increase.

The financial strength of the Credit Union is of utmost importance to the Board of Directors and Management. In order for us to maintain the financial strength, safety and soundness we have enjoyed in the past, it is important for us to grow. Together we can achieve so much and make 2008 another successful year! Thank you.

JOHN W. STEELE, Treasurer

ASSETS & SHARES

(in millions of dollars)



STATEMENT OF FINANCIAL CONDITION

	December 31, 2007	December 31, 2006
ASSETS		
Cash	\$ 11,751,167	\$ 10,974,112
Investments	105,849,277	80,748,602
Gross Loans	166,147,713	173,851,746
Allowance for Loan Loss	(1,611,869)	(1,769,343)
Net Loans	164,535,844	172,082,403
Mortgages Held for Sale	476,000	631,000
Accrued Interest	1,672,720	1,461,744
Prepaid and Deferred Expenses	3,156,438	2,834,529
Land and Building (Net)	3,054,551	3,157,616
Furniture and Equipment (Net)	1,010,036	1,282,719
Leasehold Improvements (Net)	292,640	439,673
Other Assets	783,535	438,326
TOTAL ASSETS	\$ 292,582,208	\$ 274,050,724
LIABILITIES AND EQUITY		
Accounts Payable and Accrued Expenses	\$ 1,192,153	\$ 1,318,768
Borrowings	5,000,000	0
DEPOSITS		
Regular Shares	61,318,956	77,000,177
Checking Accounts	34,804,740	37,815,664
Ready Asset and Money Market	60,482,860	44,733,293
IRA Savings	5,988,473	6,879,498
Certificates	96,638,316	80,523,327
	259,233,345	246,951,959
EQUITY		
Regular Reserves	9,408,774	9,408,774
Undivided Earnings	17,369,110	16,949,346
Mark to Market Adjustment (FASB 115)	378,826	(578,123)
	27,156,710	25,779,997
TOTAL LIABILITIES AND CAPITAL	\$ 292,582,208	\$ 274,050,724

STATEMENT OF OPERATIONS

For the Period Ending,

	December 31, 2007	December 31, 2006
INTEREST INCOME:		
Interest on Loans	\$ 11,435,617	\$ 11,895,082
Interest on Investments	5,237,142	3,740,308
	16,672,759	15,635,390
INTEREST EXPENSE:		
Dividends on Shares	6,300,660	4,445,139
Interest on Borrowed Money	80,189	567,307
	6,380,849	5,012,446
NET INTEREST INCOME	10,291,910	10,622,944
Provision for Loan Losses	1,164,729	2,439,090
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	9,127,181	8,183,854
NON-INTEREST INCOME:		
Fee Income	2,789,396	3,198,363
Other Operating Income	106,211	186,541
Gain/(Loss) on Sale of Investments	73,649	0
	2,969,256	3,384,904
NON-INTEREST EXPENSE:		
Employee Compensation & Benefits	5,639,194	5,146,462
Travel and Conference	112,006	96,883
Office Occupancy	1,107,069	1,072,318
Office Operations	2,511,469	2,525,673
Data Processing	814,270	895,568
Educational and Promotional	411,862	321,934
Loan Servicing	663,117	681,337
Professional and Outside Services	299,598	221,342
Examination Fees	32,463	60,595
Miscellaneous Operating Expense	85,624	398,040
	11,676,672	11,420,152
NET INCOME	\$ 419,765	\$ 148,606