

2017 Annual Report

80
YEARS
LA Financial

A Year of Celebration

2017 was a milestone year at LA Financial, marking our 80th year in business serving Los Angeles County. Founded in 1937, in the wake of the Great Depression, many Americans no longer wanted to trust their savings to the banks. Encouraged by the success of Roosevelt's "New Deal," many workers saw what could be accomplished when people worked together, helping each other, in a spirit of cooperation. It was this vision that gave six men and one woman the inspiration to start the Los Angeles County Court Employees Federal Credit Union, now **LA Financial**.

We celebrated our anniversary with our members throughout the year with giveaways at our branches and on social media, with prizes ranging from \$80 VISA and Home Depot gift cards to LA Dodgers tickets. Being able to thank our members for their loyalty and create fun ways to celebrate with our members has been a highlight of our 80th year.

This year LA Financial steadily built off of 2016's progress both financially and in terms of member service. We continued our loan growth trend and finished the year funding 3,460 loans – totaling \$93.7 million. Our auto lending member referral program, which gives \$50 back to both the member who refers someone and the person getting a loan, has allowed us to gain even more loans during 2017. This year, 80% of loans from member referrals were for new members of LA Financial and funded \$1.2 million in auto loans in the last quarter of 2017.

Members with checking accounts increased from 49% to 51% of our membership.

We also converted our mortgages to a new servicing platform in order to provide our members the opportunity to establish escrow accounts.

Going Above and Beyond in Serving Others

Since the beginning of the Credit Union movement, “People Helping People” has been our philosophy. We are committed to serving the underserved through financial education, charitable giving and volunteerism. Throughout 2017 we participated in a wide variety of community and volunteer activities.

LA Financial supports the Pasadena Ronald McDonald House, Children’s Hospital LA, Children’s Miracle Network, Union Station Homeless Services, Toys For Tots and the US Marine Corps, Salvation Army, multiple Breast Cancer Awareness groups, National Latino Peace Officers Association, and Red Cross, among others.

LA Financial and its employees donated over 900 hours of their time and \$12,640 to charities around Los Angeles County and Lake Havasu City. We donated 538 lbs. of food to families in need through LA Regional Food Bank, 150 toys to children through Toys For Tots, and were the 2nd highest fundraising team out of 60, raising over \$7000 for Pasadena Ronald McDonald House Charity’s annual walk event.

This year, LA Financial also helped another Southern California Credit Union in need. We made a deposit of \$250,000 to Comunidad Latina FCU, which helped this Orange County Credit Union who serves the small community of Santa Ana, CA. As the only Credit Union in their area that offers personal and auto loans to individuals at low interest rates, we felt it was important to offer our assistance as a fellow SoCal Credit Union who values its members. Together, we’re better – and that’s the Credit Union difference.





REPORT OF THE CHAIRMAN & PRESIDENT

2017 saw continued growth, building upon our previous year's numbers, and increased service to our members. Assets grew from \$376 million to \$385 million. Shares grew from \$340 million to \$352 million and loans grew from \$237 million to \$258 million.

The Credit Union's Loan-to-Share Ratio, the percentage of your shares loaned out to members, increased from 69.82% to 73%. Our Net Worth Ratio, which measures a Credit Union's stability, increased from 8.09% to 8.26% and Return on Assets, a key measure of financial performance, increased from .32% to .35%. The Credit Union finished the year positive with net income of \$1.3 million.

LA Financial's member satisfaction rating was 85% compared to the industry's standard of 82%. We are also pleased to report that 87% of members would recommend LA Financial to someone they know. Beyond the numbers, our measure of success has always been about the Credit Union's service to its members. In 2017, the Credit Union continued to build on its services:

- We now offer home financing rebates for members through HomeBenefitsPlus™, which gives a 25% rebate on real estate commissions when buying or selling your home.

- We converted mortgages to a new servicing platform in order to provide our members with the opportunity to establish escrow accounts.
- We partnered with financial coaches at GreenPathTM to assist members with financial wellness and at Banzai which provides a free financial literacy program for students in the LA County and Lake Havasu areas.

LA Financial funded 3,460 loans in 2017 – totaling more than \$93 million.

The Credit Union's low-rate vehicle loans, one of its most popular loans, attracted even more attention in 2017 through the member referral program. The Credit Union financed 1,759 vehicle loans – for a total of \$41.4 million – at an average auto loan rate of 2.97%.

The hard working employees of your Credit Union also gave back to our community by donating to local charities. Overall, fundraising efforts more than doubled this year compared to 2016, with more than \$12,500 in donations. We are grateful that LA Financial Credit Union has been able to invest in its members and to give back to our community, and we are devoted to continuing that commitment in 2018.

Douglas L. Carden, Chair
Carol Galizia, President/CEO

REPORT OF THE SUPERVISORY COMMITTEE

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 Certified Public Accounting Firm Turner,

Warren, Hwang and Conrad, AC to conduct an opinion audit of the Credit Union as of September 30, 2017.

The report concluded that the financial position of the Credit Union was appropriately presented in conformity with accounting principles generally accepted in the United States of America.

Janice Jones, Chair

REPORT OF THE TREASURER

2017 was a year that saw steady growth for LA Financial. The Credit Union's net income increased by 8.33% this year.

LA Financial's performance indicators are improving and are as follows:

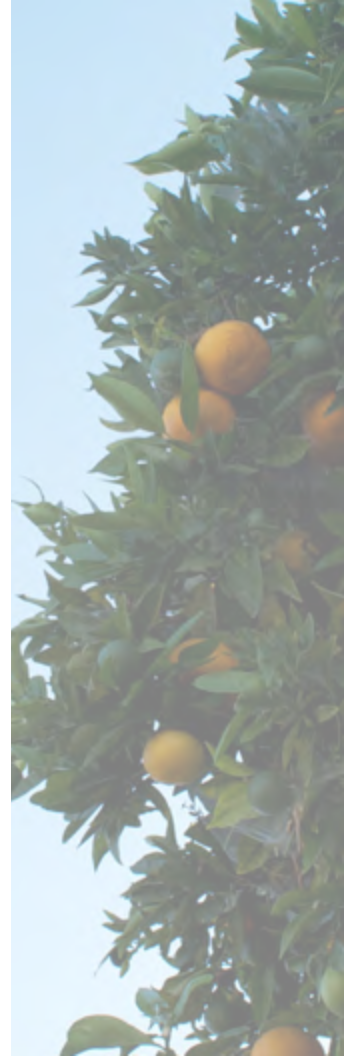
- Loan-to-Share Ratio improved from 69.82% to 73%
- Net Worth Ratio increased from 8.09% to 8.26%
- Our loan growth increased by 8.86%

Members were able to take advantage of some of the lowest rates in years including auto loans as low as 1.99% APR with their first payment deferred up to 90 days.

LA Financial continued to offer a complete array of financial products including loans for investment property and home equity. The Credit Union also started to offer first mortgages with as low as 5% down on fixed and adjustable rates and 5/5 adjustable rate mortgages.

It is a pleasure and a privilege to serve our members and we thank you for your continued support. We look forward to celebrating even more milestones with you as we continue to work hard to help you make the most of your money.

George F. Caro, Treasurer



CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

UNAUDITED. DOLLARS IN THOUSANDS.

	<u>12/31/16</u>	<u>12/31/17</u>
Assets		
Cash	\$ 2,325	\$ 2,817
Due from Banks	44,490	47,157
Cash and cash equivalents	<u>46,815</u>	<u>49,974</u>
Securities Available for Sale	67,656	49,138
Federal Home Loan Stock and Others	2,586	2,586
Total Investments	<u>70,242</u>	<u>51,724</u>
Loans, Net of Fees and Costs	237,188	259,382
Less: Allowance for credit losses	<u>(1,043)</u>	<u>(1,045)</u>
Net Loans	236,145	258,337
Property and Equipment, Net	9,324	8,867
Accrued Interest Receivable	738	799
National Credit Union Share Insurance Fund	3,213	3,418
COLI	4,703	4,829
Other assets	4,882	6,786
Total Assets	<u>\$ 376,062</u>	<u>\$ 384,734</u>
Liabilities and Members' Equity		
Liabilities:		
Regular Shares	\$ 132,875	\$ 144,164
IRA Shares	13,961	17,091
Money Market Accounts	89,757	88,711
Share Drafts	61,450	67,912
Share Certificates	41,728	34,174
Members' Share Accounts	<u>339,771</u>	<u>352,052</u>
FHLB Borrowings	5,000	-
Other liabilities	1,507	1,593
Total liabilities	<u>346,278</u>	<u>353,645</u>
Members' Equity		
Regular Reserves	9,409	9,409
Retained Earnings	21,028	22,346
Accumulated Other Comprehensive Loss	(724)	(739)
Total LA Financial CU Members' Equity	<u>29,713</u>	<u>31,016</u>
Noncontrolling Interest	<u>71</u>	<u>73</u>
Total Liabilities and Members' Equity	<u>\$ 376,062</u>	<u>\$ 384,734</u>

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION UNAUDITED. DOLLARS IN THOUSANDS.

	<u>12/31/16</u>	<u>12/31/17</u>
Interest Income:		
Interest on Loans	\$ 9,052	\$ 9,443
Investment Income	1,494	1,509
Total Interest Income	10,546	10,952
Interest Expense:		
Dividends on Shares	405	133
Borrowings	306	353
Total Interest Expense	711	486
Net Interest Income	9,835	10,466
Provision for Loan Losses	713	579
Net Interest Margin	9,122	9,887
Non-Interest Income:		
Fee Income	3,466	3,739
Gain on Sale of Loans	777	439
Gain on Sale of Investments	44	13
Prefunding of Employee Benefits	(315)	-
Other Non-Operating Income	771	491
Total Non-Interest Income	4,743	4,682
Operating Expense:		
Employee Compensation	6,258	6,621
Travel & Conference	120	163
Office Occupancy	907	1,188
Office Operations	3,617	3,156
Educational & Promotional	244	355
Loan Servicing	472	727
Professional & Outside	717	626
Other Operating Expense	373	412
Total Operating Expenses	12,708	13,248
Net Income	1,157	1,321
Less: Net (Loss) Income Attributable to Noncontrolling Interest	(16)	2
Net Income Attributable to LA Financial CU	\$ 1,173	\$ 1,319



BOARD OF DIRECTORS

Douglas L. Carden, Chairman
Mark J. Saladino, Vice Chair
George F. Caro, Treasurer
Thomas V. Pilla, Secretary
Gail LeGros, Director
Mike Magro, Director
John W. Steele, Director

SUPERVISORY COMMITTEE

Janice Jones, Chair
Gail LeGros, Member
Nai-Len W. Ishikawa, Member
Darian Chin, Member

MANAGEMENT

Carol Galizia, President/Chief Executive Officer
Milton Flores, SVP/Chief Financial Officer
Greg Seltzer, SVP/Chief Lending Officer
Armando Estrada, VP/Technology Services
Lito Gonzales, VP/Controller
Linda Manship, VP/Retail Services
Amanda O'Brien, VP/Marketing

OFFICES

Administrative Offices
1520 W. Colorado Blvd.
Pasadena, CA 91105

Mailing Address
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Pasadena, CA 91102-6015

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224 N. Fair Oaks Ave.
Pasadena, CA 91103

Los Angeles Branch
716 W. First St.
Los Angeles, CA 90012

Norwalk Branch
12125-A Imperial Hwy.
Norwalk, CA 90650

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