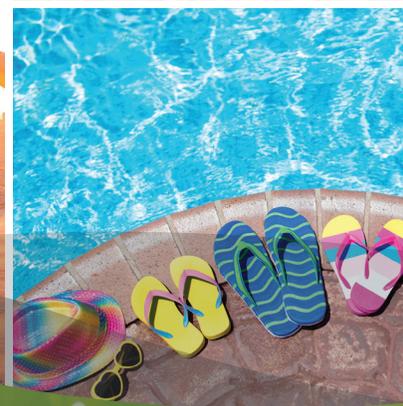




Credit Union of
Southern California
BUILDING BETTER LIVES®

2018 ANNUAL REPORT



MISSION

BUILD BETTER LIVES THROUGH
WORLD-CLASS SERVICE AND
CONVENIENCE.

VALUES

EVERYBODY COUNTS,
EVERYBODY CARES,
EVERYBODY DELIVERS,
EVERY DAY.

VISION

EXCEED MEMBERS' AND EMPLOYEES'
EXPECTATIONS MAKING CU SOCAL A
SIGNIFICANT FINANCIAL COMPETITOR
IN SOUTHERN CALIFORNIA.

Membership is open to those who live, work, worship, or attend school in the counties of Los Angeles, Orange, Riverside, and San Bernardino. For more information, visit CUSoCal.org.

JOINT REPORT OF THE CHAIRPERSON AND PRESIDENT/CEO

Sixty-five years ago our credit union cooperative was launched. We have been expanding, adapting, and evolving since day one. This past year, 2018, was no exception. We increased Memberships by 4 percent and loans by 20 percent. We enhanced our mobile banking functionality for the digital world and opened new brick and mortar branches for the physical one. By the end of 2018, we had grown to more than \$1.4 billion in assets. Those figures would have been considered impossibilities in 1954 and are still impressive by today's standards. However, building a bigger credit union isn't our purpose; it's a means to our mission. We grow so we can give back. Banks make every day about the value of their stock; we make every day about the value of our relationships. We are Building Better Lives®.

An annual report is certainly about numbers, and we are pleased that 2018 was filled with positive ones. Take note of the numbers, but read between the lines. You'll discover a financial institution that involved itself in communities and causes; a financial institution that was as interested in the character of the human being as much as the credit score; a financial institution that empowered its Members with products and services so they could fulfill their dreams.

Our dedicated Board of Directors, Supervisory Committee, and Credit Union of Southern California (CU SoCal) staff are all committed to maintaining the credit union credo of People Helping People. Along with our Membership, these are the people responsible for our success. We are sincerely thankful for all of them.



Paul Moore

Paul Moore
Board Chairperson



Dave Gunderson

Dave Gunderson
President/CEO

110,000

Members served



\$265

Average annual savings per Member household using our services



Online services

99.9%

up time



2018 HIGHLIGHTS

Credit Union of Southern California's mission is to Build Better Lives® through World-Class Service and Convenience. To accomplish that goal, we continually maintain, upgrade, and re-invent the financial products Members use, and strive to consistently serve Members with caring, personal service.

Building Better Lives is in essence a journey; the destination, however, is entirely up to each individual Member. In 2018, our journey continued its steady pattern of growth and outreach. Some of the year's highlights are listed below.

At year end:

- Our Membership increased by 4%, totaling more than 110,000 Members.
- Our assets topped \$1.4 billion.
- Our net worth ratio was 12.92% which exceeds the industry standard where 7% is considered "well capitalized."
- 87% of Members surveyed were "very satisfied" with our service.
- We earned a superior 5-star rating from BauerFinancial for financial stability.
- Our net income totaled \$13 million.
- CU SoCal provided \$13 million in direct financial benefits to Members.¹
- Our Members earned \$2.9 million in dividends.¹
- Members received an average of \$265 in household savings.¹
- Our loan portfolio increased by 20%.
- Our online services achieved a reliability index of 99.9% allowing Members to access their accounts electronically with minimal interruption.

¹ Source: Datatrac, NCUA, and CUNA

EMPOWERMENT

Building Better Lives® begins with better service, products that genuinely fulfill a need, tangible conveniences like ATMs, brick and mortar branches, and user-friendly technology. All of these empower you and enhance your financial life.

Empowerment is also a byproduct of information. In 2018, we provided access to a full array of financial information and resources through short video clips, online classes, in-person workshops, and one-on-one coaching. More than 650 people attended 32 free lunch and learn events and workshops and provided an overwhelming overall “excellent” rating.

WORLD-CLASS SERVICE

Our staff is instilled with a deep and genuine desire to serve and an unwavering commitment to do the right thing. This is our culture. This is our DNA. This is what sets us apart from the myriad of financial institutions coveting your business. For us, it’s not enough to go the extra mile if the extra mile doesn’t help us get you to your destination. We will go the extra mile and more.

In 2018, 87 percent of Members surveyed were “very satisfied” with our service. More than 80 percent of our Members would recommend us to family and friends. Banks average 35 percent and other credit unions average 60 percent.



Conducted

32

free financial education
classes presented in our
local communities



Members saved nearly

\$13 million

by choosing CU SoCal



87%

of Members surveyed
were “very satisfied”
with our service



5

star rated by
BauerFinancial



Donated

\$357,000

to local charities, foundations,
and families in need



1,500 hours

volunteered in our communities
by CU SoCal team members
and loved ones

COMMITMENT TO COMMUNITY

We're honored to be able to serve 175 communities across southern California. In 2018, we supported them with specialized products to improve their financial wellness and donated time and resources to hundreds of charitable initiatives that serve worthy causes.

- CU SoCal team members volunteered 1,500 hours of service.
- We donated \$357,000 to help local charities, foundations, and families in need.
- For those with challenged credit scores, we continued to offer special auto loans and helped to rebuild credit with our ABL e loan.
- We launched a new Rewards Checking Account that provides CU SoCal Dream Points, earns dividends, and addresses one of today's most important financial issues: identity theft.

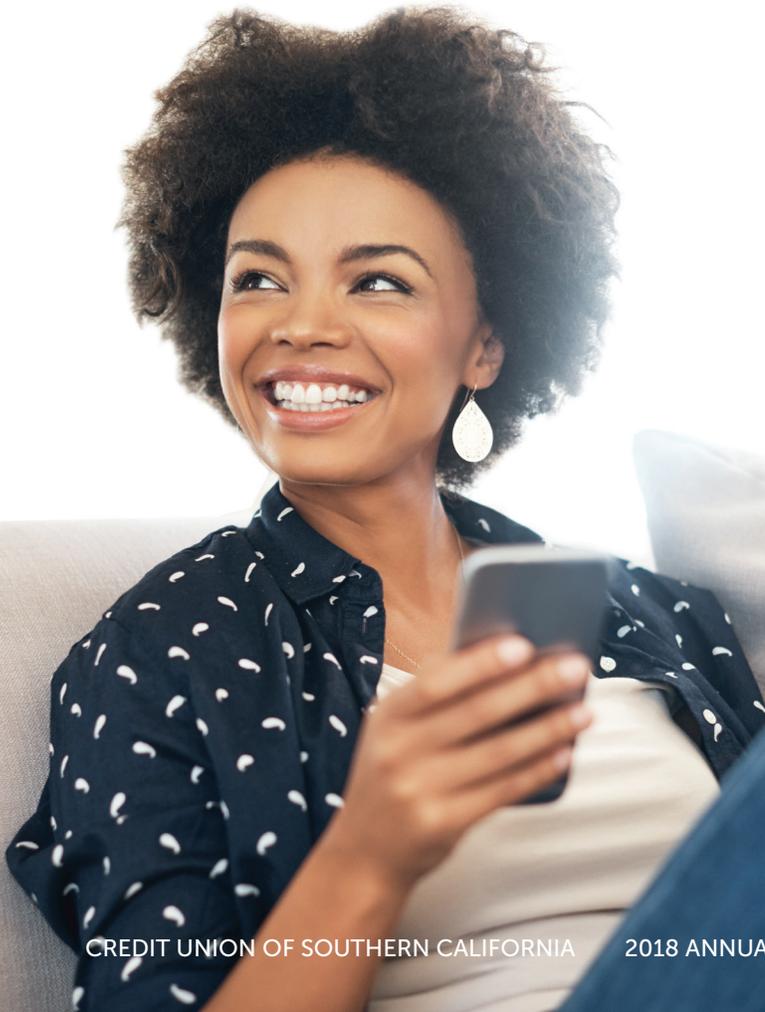
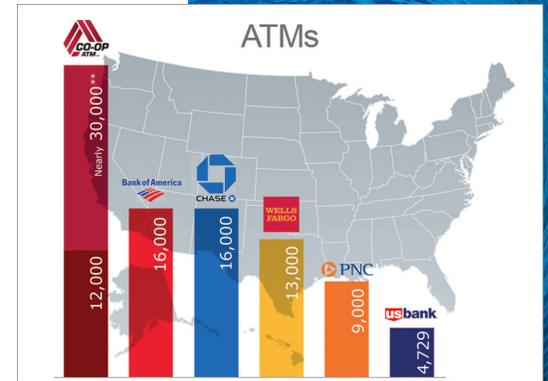
CONVENIENT ACCESS

We believe our Members should be able to do their banking whenever and however they want. In 2018, we opened new branches and enhanced our online services to provide Members even greater convenience in person, over the phone, and online.

- A 2018 enhancement allowed Members to quickly and securely enroll in Online Banking using the CU SoCal mobile app.
- Certificate promotions allowed Members to earn more for what they want most.
- Branches were relocated to more convenient areas in Costa Mesa, Pomona, and Orange.
- More than 5,600 branches across all 50 states are available through our participation in the CO-OP shared branch network.
- Members have access to America's largest fee-free ATM network.

EYES SET ON THE YEAR AHEAD

As we turn our sights to 2019, we look to deepen relationships, enhance experiences, and exceed expectations. We will place an even greater focus on making your experiences with us streamlined, seamless, and easy. With this initiative, we will improve our mobile app, increasing its functionality and make it even easier to navigate. We will also launch a new Member survey tool to better understand your needs and act on what's most important to you.



BOARD OF DIRECTORS

Credit Union of Southern California's Board Directors generously volunteer time throughout the year to ensure the continued strength, security, and value of your credit union.



ROW 1 (L-R):

Paul Moore, Board Chairperson

Robyn Bjorklund

Elizabeth Camp



ROW 2:

Robert Chaffino

Shannon Dwyer

Christopher George



ROW 3:

Dona Moseley

John Rosenberger

ROW 4:

John C. Smith

Christopher Stone



ROW 5:

Corporate Advisory Board Members:

Lee Hardeman

Connie Zappone

Kathy Crum



SUPERVISORY COMMITTEE

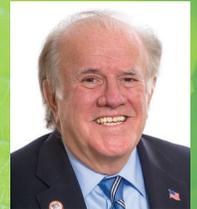
The Supervisory Committee members volunteer their time and expertise. We meet regularly to review financial statements along with internal and external audit reports and controls. Our task is to ensure that Credit Union of Southern California is both fiscally sound and effectively serving the many different financial needs of its Members.

The certified public accounting firm of Turner, Warren, Hwang & Conrad was engaged to perform the annual audit for the fiscal year ending June 30, 2018.

After reviewing the audit report, along with other reports and records, it was the unanimous opinion of the Supervisory Committee that Credit Union of Southern California is financially solid and being operated in a safe and sound manner.



David Yamashita
Chairperson,
Supervisory Committee



ROW 1 (L-R):
David Yamashita, Chairperson
Greg Kelley

ROW 2:
Judy Miller
Ed Paul



ROW 3:
Bob Toohey

FINANCIAL STATEMENTS

INCOME

	YEAR ENDED DECEMBER 31,	
	2018	2017
Interest on loans	\$ 39,974,472	\$ 30,056,718
Interest on investments	10,654,619	13,453,372
Other income ¹	22,703,118	23,099,421
Total income	\$ 73,332,209	\$ 66,609,511

EXPENSES

Salaries and benefits	\$ 27,816,925	\$ 25,039,196
Interest expense	1,242,363	3,864,261
Provision for loan losses	3,226,436	1,435,971
Office operations	6,715,747	5,981,875
Professional services	3,814,944	3,833,067
Office occupancy	4,964,961	4,357,875
Marketing	666,452	453,150
Loan servicing	3,784,878	3,000,978
Other expenses	5,212,833	3,682,040
Total expenses	\$ 57,445,539	\$ 51,648,413

DIVIDENDS TO MEMBERS

	\$ 2,913,580	\$ 2,278,947
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NET EARNINGS

	\$ 12,973,090	\$ 12,682,151
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ASSETS

	AT DECEMBER 31,	
	2018	2017
Cash	\$ 8,397,538	\$ 8,783,506
Investments	482,639,215	554,920,754
Loans to Members	927,958,702	776,169,859
Allowance for loan losses	(6,646,772)	(5,473,158)
Fixed assets	26,438,418	22,549,140
Other assets	46,307,123	51,185,485
Total assets	\$ 1,485,094,224	\$ 1,408,135,586

LIABILITIES AND EQUITY

Member shares	\$ 1,259,773,581	\$ 1,231,718,775
Notes payable	47,000,000	—
Other liabilities	18,766,090	26,399,826
Member equity	159,554,553	150,016,985
Total liabilities and equity	\$ 1,485,094,224	\$ 1,408,135,586

¹ For 2017, includes \$5.2 million of bargain purchase gains from mergers.

INCOME

2018	\$73,332,209
2017	\$66,609,511
2016	\$61,428,228
2015	\$45,925,118
2014	\$42,947,512
2013	\$27,494,880

EXPENSES

2018	\$57,445,539
2017	\$51,648,413
2016	\$45,746,568
2015	\$36,234,313
2014	\$28,701,678
2013	\$20,966,798

DIVIDENDS TO MEMBERS

2018	\$2,913,580
2017	\$2,278,947
2016	\$2,135,671
2015	\$1,747,231
2014	\$1,765,839
2013	\$1,884,240

ASSETS

2018	\$1,485,094,224
2017	\$1,408,135,586
2016	\$1,173,870,077
2015	\$1,000,879,692
2014	\$ 927,723,302
2013	\$ 710,777,020

REGULATORY NET WORTH

2018	\$191,888,144
2017	\$178,915,054
2016	\$145,950,788
2015	\$127,536,052
2014	\$118,197,511
2013	\$ 95,746,360



MEMBER CARE CENTER

562.698.8326 | 866 CU SoCal (866.287.6225) toll-free
Monday–Friday: 9 am–6 pm | Saturday: 9 am–1 pm

PHONE BANKING

562.945.2214 | 800.249.2328 toll-free

MAIL

P.O. Box 200 | Whittier, CA 90608-0200

EMAIL

info@CUSoCal.org

WEBSITE

CUSoCal.org

MOBILE BANKING

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Southern California
BUILDING BETTER LIVES[®]



FEDERALLY
INSURED
BY NCUA



ALHAMBRA | ANAHEIM | BREA | CITY OF INDUSTRY | COSTA MESA | COVINA | EL MONTE | FULLERTON | GARDEN GROVE
LA HABRA | ONTARIO | ORANGE | PICO RIVERA | POMONA | WHITTIER