

Federally insured by NCUA

2018

ANNUAL REPORT

Southland
CREDIT UNION





Our Mission

We are dedicated to providing our Members with exceptional, comprehensive and innovative financial solutions, delivered with uniquely personal Southland service.

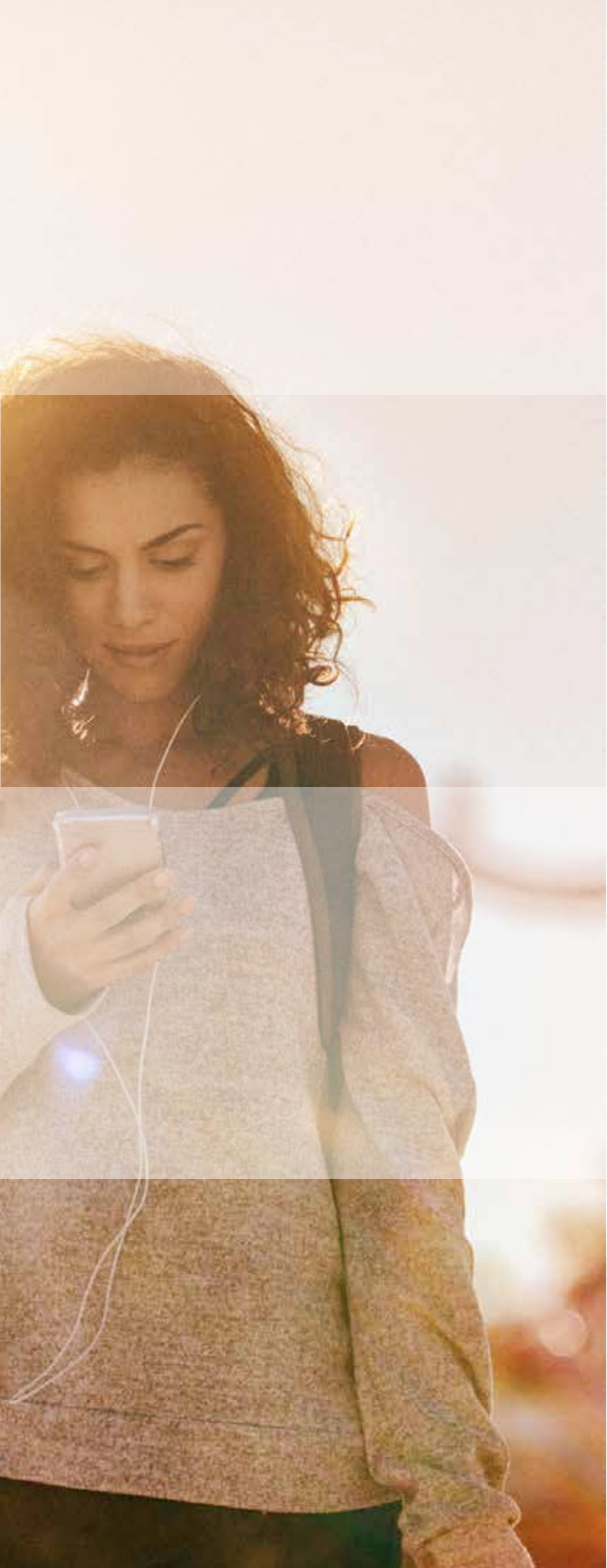


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Board Chair and President's Message

Landmark Year

Looking back, 2018 was a landmark year for Southland. We achieved our best financial year since 2012 by surpassing our goals and increasing our net worth ratio to 11.78%. Your Credit Union continues to be strong and financially sound. Assets approached \$750 million in 2018, and Southland welcomed 2,100 new Members — expanding our total Membership to 61,000.

Southland funded \$237 million in new loans and increased dividends disbursed to Members by 14%, with \$2.7 million paid in 2018. We are proud to report that we continue to grow and maintain our status as a top-performing credit union.

Community Partnership

We announced a partnership with Harbor-UCLA Medical Center to fund hospital improvement projects. We also conducted an #SCUGivesBack campaign on social media to give our Members a voice in choosing where our charitable donations go. As a result of Member feedback from the #SCUGivesBack campaign, we provided support to Casa Youth Shelter and other local organizations that our Members care about. Additionally, in partnership with Credit Unions for Kids and Children's Miracle Network Hospitals, Southland launched Project GO Kart — a unique fundraising campaign to benefit patients at CHOC Children's.



Southland began its commitment to the Long Beach community with the announcement of a multi-year partnership to support Cal State Long Beach students as the Official Credit Union of Long Beach State Athletics. We also completed construction and opened the doors of our new Long Beach Branch in December.



Same Great Credit Union, Fresh New Look

Southland revealed a new look in 2018 with a contemporary logo and modern brand approach designed to fortify our position as a leading Southern California credit union for years to come.

We look forward to continuing promotion of our new brand in 2019 by sharing what it means to experience our uniquely personal Southland service as a Member. As an extension of our new brand, and to support our enduring dedication to service, we updated our Mission, Vision, Core Values and Strategy Statements to better reflect Southland's spirit and overall objective.

More Service, More Choice

As we continue to find ways to serve our Members' unique needs, your Credit Union introduced new services and programs in 2018. To help develop financial skills for our youngest Members, we launched Southland Jr. Savers and Teen Checking.

Southland Investment Services (SIS) was established to better integrate the wide range of investment programs available to our Members. With SIS, Members can work toward their financial goals through objective financial advice and customized strategies.

Fees were lowered for Members in 2018, most notably through our Skip-a-Pay program. We also made it easier to make online Auto Loan and Visa payments with a new online payment center.

Exceptional Member Experience

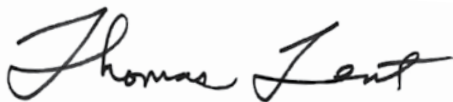
For 2019 Southland will focus on improved access, enhanced services and new technology to make doing business with us easier for you. Based on Member feedback, technology infrastructure is a primary focus. We have plans to make improvements to our online and mobile banking platforms.

To ensure we are always learning, improving and providing the best service experience possible, every Southland Associate will receive comprehensive service excellence training in 2019. Each of us will focus on living out our mission: Dedication in providing our Members with exceptional, comprehensive and innovative financial solutions, delivered with a uniquely personal Southland service.

Thank you for helping us make 2018 a successful year with your continued membership. On behalf of the Board of Directors, Southland Executive Management and the entire Southland team of Associates, we wish you and your family a successful and prosperous 2019.



Angie Avery
Board Chair, Board of Directors



Thomas G. Lent, CPA
President and Chief Executive Officer



Angie Avery
Board Chair, Board of Directors



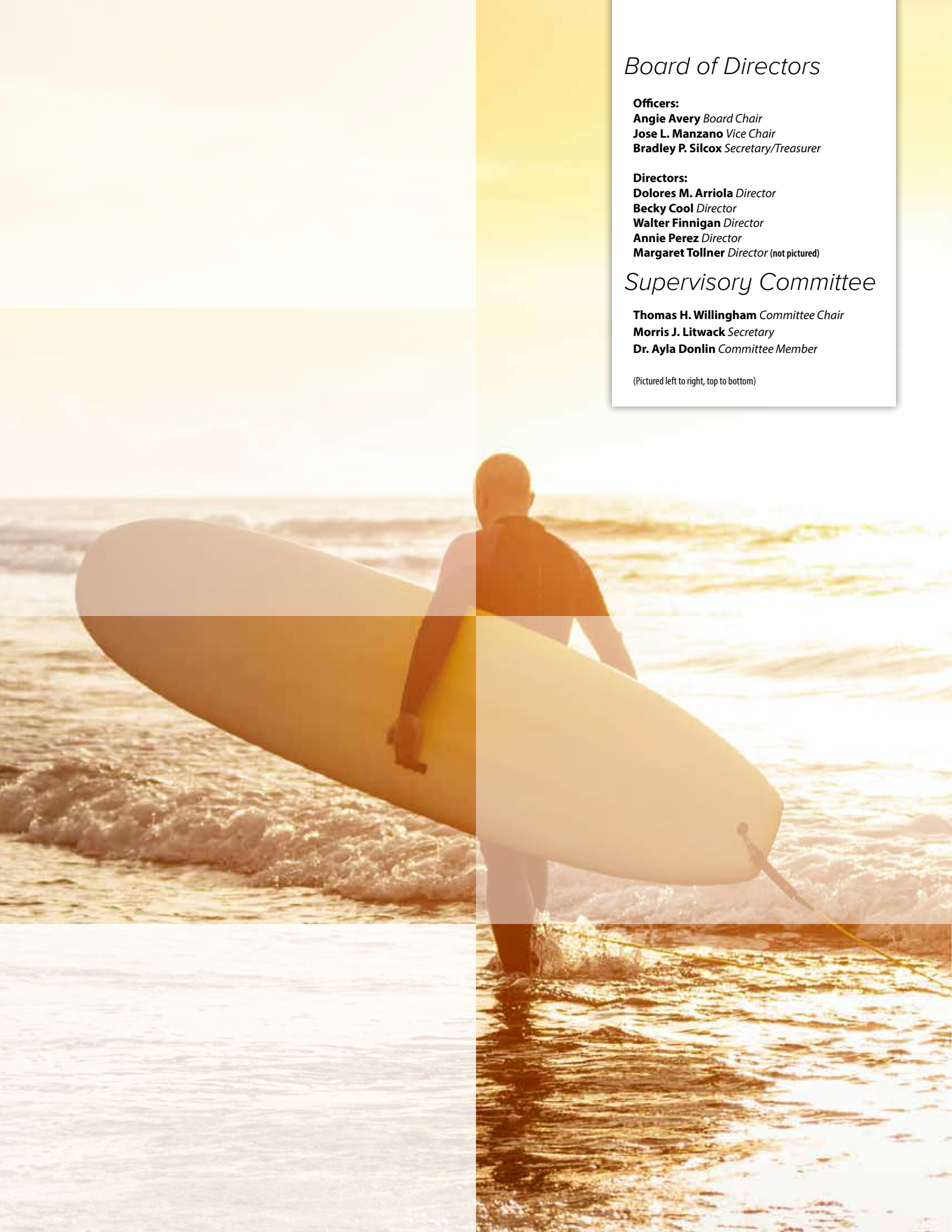
Thomas G. Lent, CPA
President and Chief Executive Officer





Our Vision

We will promote greater financial well-being for our Members and communities.

A person in a wetsuit is seen from behind, carrying a long surfboard under their arm, walking into the ocean. The scene is bathed in the warm, golden light of a sunset or sunrise, with waves breaking in the distance.

Board of Directors

Officers:

Angie Avery *Board Chair*

Jose L. Manzano *Vice Chair*

Bradley P. Silcox *Secretary/Treasurer*

Directors:

Dolores M. Arriola *Director*

Becky Cool *Director*

Walter Finnigan *Director*

Annie Perez *Director*

Margaret Tollner *Director (not pictured)*

Supervisory Committee

Thomas H. Willingham *Committee Chair*

Morris J. Litwack *Secretary*

Dr. Ayla Donlin *Committee Member*

(Pictured left to right, top to bottom)

*Board of
Directors*



*Supervisory
Committee*





Executive Team

Thomas G. Lent, CPA

President & CEO

Rene M. LeJay

Executive Vice President & COO

Christopher Burns, CPA

Senior Vice President & CFO

Tina Fugelsang

Senior Vice President of Special Projects

Matthew P. Herrick

Senior Vice President of Marketing & Financial Services

Curt A. Bannock

Vice President & CIO

Barbara Bannister

Vice President of Human Resources

Pamela Ghezzi

Vice President of Special Projects

Patty Jimenez

Vice President of Lending

Bertrand Villavert

Vice President & Controller

Beckie Delgadillo

Assistant Vice President of Branch Operations

Tracy Koehler

Assistant Vice President of Compliance & Risk Management

(Pictured left to right, top to bottom)



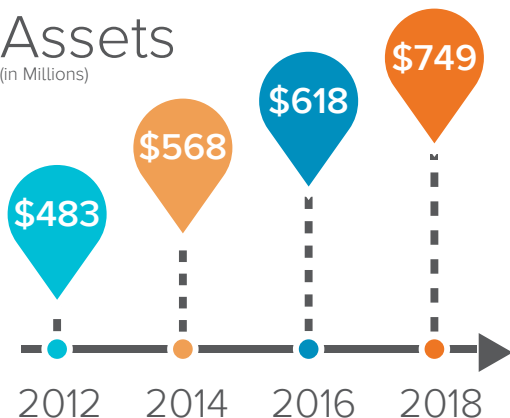
Southland Credit Union Consolidated Statements of Financial Condition

As of December 31, 2018 and 2017

	(in thousands) (unaudited)	
Assets	2018	2017
Cash and Cash Equivalents	\$ 39,586	\$ 42,996
Investment Securities:		
Available-for-Sale	85,952	104,520
Other Investments	19,880	35,008
Federal Home Loan Bank Stock	3,063	2,395
Loans to Members, Net of the Allowance for Loan Losses	539,323	503,793
Accrued Interest Receivable	1,774	1,716
NCUSIF Deposit	6,083	6,130
Property and Equipment, Net	16,949	15,435
Other Assets	36,344	29,920
Total Assets	<u>\$ 748,924</u>	<u>\$ 741,913</u>
Liabilities		
Members' Shares and Savings Accounts	\$ 643,046	\$ 649,556
Borrowed Funds	10,000	-
Accounts Payable and Other Liabilities	9,034	8,515
Total Liabilities	<u>662,080</u>	<u>658,071</u>
Members' Equity		
Regular Reserve	12,887	12,887
Undivided Earnings	49,684	46,768
Equity Acquired in Merger	25,687	25,484
Accumulated Other Comprehensive Income	(1,414)	(1,297)
Total Members' Equity	<u>86,844</u>	<u>83,842</u>
Total Liabilities and Members' Equity	<u>\$ 748,924</u>	<u>\$ 741,913</u>

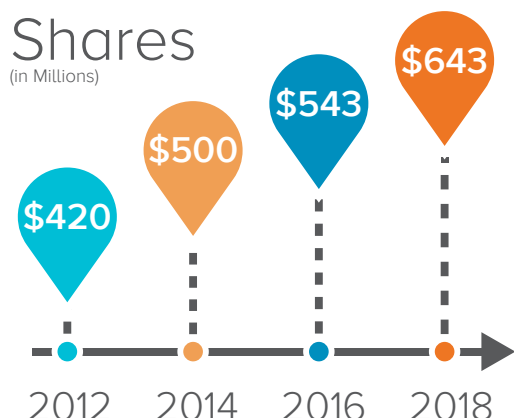
Assets

(in Millions)



Shares

(in Millions)



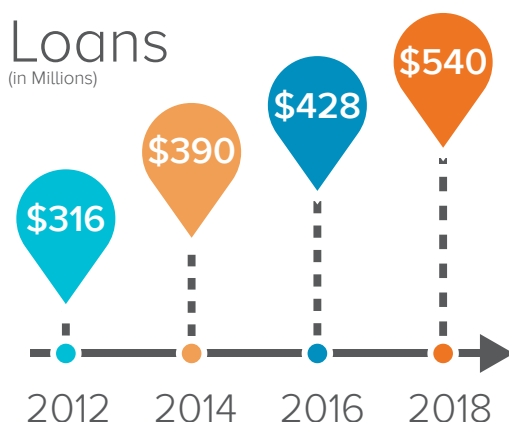
Southland Credit Union Consolidated Statements of Income

For the years ended December 31, 2018 and 2017

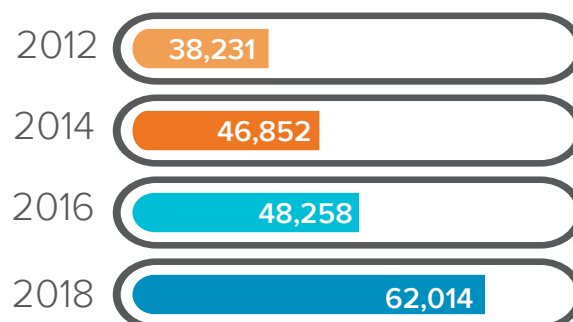
	(in thousands) (unaudited)	
	2018	2017
Interest Income		
Loans to Members	\$ 22,187	\$ 20,616
Investment Securities and Cash Equivalents	2,609	2,911
Total Interest Income	24,796	23,527
Interest Expense		
Members' Shares and Savings Accounts	2,763	2,417
Borrowed Funds	48	-
Net Interest Expense	2,811	2,417
Net Interest Income	21,985	21,110
Provision for Loan Losses	2,999	2,139
Net Interest Income After Provision for Loan Losses	18,986	18,971
Non-Interest Income		
Fees and Charges	5,670	5,398
Other Non-Interest Income	3,023	2,458
Total Non-Interest Income	8,693	7,856
Income Before Non-Interest Expense	27,679	26,827
Non-Interest Expense		
Compensation and Benefits	13,853	13,961
Operations	8,553	7,880
Occupancy	2,357	3,931
Total Non-Interest Expense	24,763	25,772
Net Income	\$ 2,916	\$ 1,055

Loans

(in Millions)



Membership



Supervisory Committee Report

Consisting of three volunteers elected by the Membership, the Supervisory Committee has a primary responsibility to assist the Board of Directors in fulfilling its oversight for the safety and soundness of the Credit Union. The Committee is responsible for management of internal and external audits, along with the verification of Member accounts in conjunction with our annual opinion audit performed by an independent Certified Public Account firm. The Committee also meets with the federal and state regulatory agencies during routine examinations.

The external auditor's report as of and for the years ended December 31, 2018 and 2017 indicated the Credit Union's financial statements are fairly presented in accordance with generally accepted accounting principles. It is the opinion of the Supervisory Committee that your Credit Union is financially strong, complies with sound business practices and has effective internal controls to adequately protect and safeguard Members' assets.

Sincerely,



Thomas Willingham
Committee Chair
Supervisory Committee



OUR Community 2018

A strong community can be created through active participation of local businesses, which is why Southland Credit Union is committed to supporting local organizations, nonprofits and neighborhoods.

Associates volunteer throughout the year for various charities, toy drives, food drives, women and children's causes, local school programs and many other community events.

By working with the general public, Southland is a partner in improving the areas in which our Members live, work, worship and attend school.

PROJECT GO-KART

THOUSANDS

of dollars raised

4 GO-Karts

for CHOC Children's

5 GO-Karts

for Harbor UCLA Pediatrics



MEMBERS EARNED

\$2.7 Million

in returned dividends
to Members in 2018.



LOCAL ANIMAL SHELTERS



**100s of
blankets**

collected and donated to local shelters

CHARITABLE FUNDRAISING & DONATIONS

THOUSANDS

of dollars raised for Children's Miracle Network

HUNDREDS

of teams and school sponsorships

THOUSANDS

of dollars raised for our Military and their families



FINANCIAL EDUCATION

Lack of financial knowledge costs Americans

\$10 Billion
annually.



Southland sponsors financial workshops
and financial education courses free of
charge to Members, local schools and
community centers.



Team Southland



Treasurer's Report

Your volunteer Board of Directors and Supervisory Committee Members work diligently to ensure the continued safety and soundness of the Credit Union, and we thank you for your membership. In 2018 Southland built upon its solid foundation of financial strength by focusing on its core values as well as identifying and acting upon opportunities to improve Member service.

Total assets increased by more than \$7 million this year and are now nearly \$750 million, a new all-time high. At the same time, the Net Worth Ratio improved to 11.78%, which is significantly higher than the 7% regulatory minimum to be considered "well-capitalized."

Net income for 2018 was an outstanding \$2.9 million, doubling our income in 2017. We also returned \$2.7 million in dividends and interest to our Members.

Southland Credit Union is in excellent financial condition and poised for continued success and future growth. We thank you for allowing us to serve you and look forward to an exciting and innovative 2019. You can be proud of the many accomplishments made in the past years while being assured the future of Southland Credit Union is looking brighter.

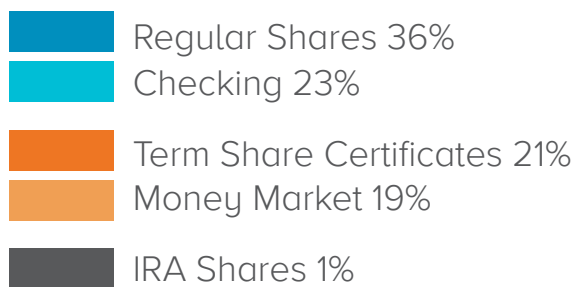
Sincerely,



Bradley P. Silcox
Secretary/Treasurer
Board of Directors



Deposit Mix



More than
\$7 Million
in Asset
Growth

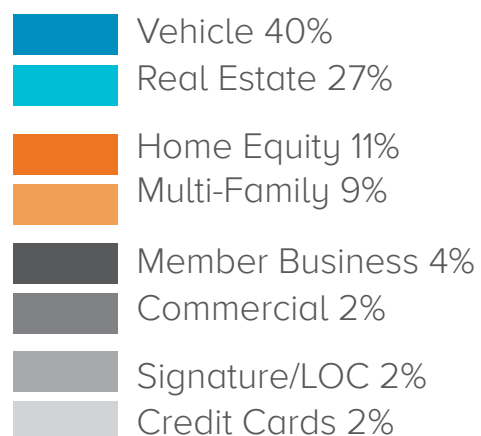
Increase
Loans to
Members by
**\$35.5
Million**

13,756
New Southland
Members joined
us since 2016

Net Capital
11.78%



Loan Mix







Core Values

Our core values guide everything we do — from serving our Members' unique needs to providing resourceful, convenient services to help Members save and thrive.



Branch Locations



CARSON—HARBOR

510 W. Carson St
Carson, CA 90745

Hours: Mon—Fri 9—6
Sat 9—1

Additional Services:

- ATM
- Coin Counting Kiosk
- Notary Public



DOWNEY

8545 Florence Ave
Downey, CA 90240

Hours: Mon—Fri 9—6
Sat 9—1

Additional Services:

- ATM (Envelope-Free Deposits)
- Coin Counting Kiosk
- Instant Issue ATM & Debit Cards
- Notary Public

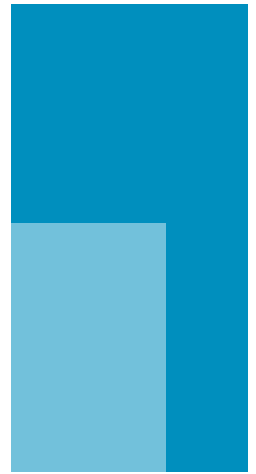


LONG BEACH

2250 N. Bellflower Blvd
Long Beach, CA 90815
Hours: Mon—Fri 9—6
Sat 9—1

Additional Services:

- PTM (Personal Teller Machine)
- ATM (Envelope-Free Deposits)
- Coin Counting Kiosk
- Instant Issue ATM & Debit Cards



LOS ALAMITOS

(Corporate Headquarters)
10701 Los Alamitos Blvd
Los Alamitos, CA 90720
Hours: Mon—Fri 9—6
Sat 9—1

Additional Services:

- ATM (Envelope-Free Deposits)
- Coin Counting Kiosk
- Instant Issue ATM & Debit Cards
- Notary Public

LOS ANGELES

(Federal Building)
300 N. Los Angeles St #1244
Los Angeles, CA 90012
Hours: Mon—Fri 8:30—5

Additional Services:

- ATM
- Instant Issue ATM & Debit Cards
- Notary Public



SANTA MONICA

525 Santa Monica Blvd
Santa Monica, CA 90401
Hours: Mon—Fri 9—6 Sat 9—1

Additional Services:

- ATM (Envelope-Free Deposits)
- Coin Counting Kiosk
- Instant Issue ATM & Debit Cards
- Notary Public



SANTA MONICA—ST. JOHN'S

(Koll Building-Third Floor)
2020 Santa Monica Blvd #300-B
Santa Monica, CA 90404
Hours: Mon—Fri 8—4
Closed Daily 11—12

Additional Services:

- ATM (Located on the first floor of the hospital)

Southland

CREDIT UNION



P.O. Box 3003
Los Alamitos, CA 90720-1303
800.426.1917 | SouthlandCU.org



Federally insured by NCUA
NMLS #685526