

Southland
CREDIT UNION



#CUSmile



2019
ANNUAL REPORT

Federally insured by NCUA



Our Mission

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

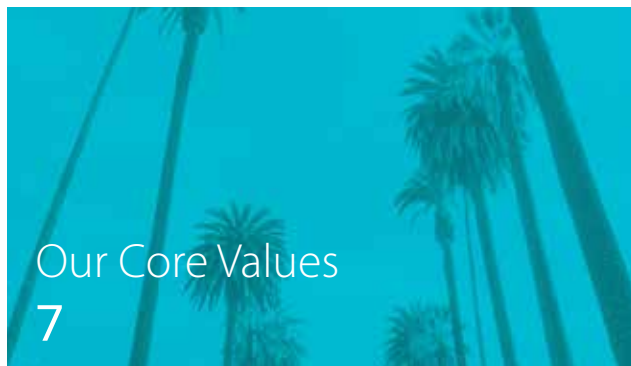
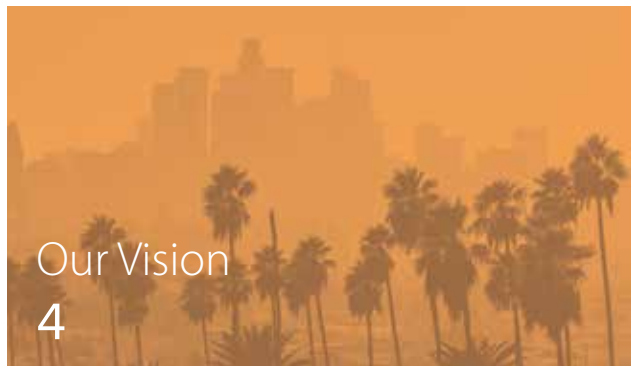


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Our Vision

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

Volunteers

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

Tom Willingham
Director

Margaret Tollner
Director (not pictured)

(Pictured left to right, top to bottom)



Supervisory Committee

Morris J. Litwack
Committee Chair

Justin Laird
Member

Donita Smith
Member

(Pictured left to right)





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.

Management

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

Beckie Delgadillo
Vice President
of Branch Operations

Pamela Ghezzi
Vice President
of Special Projects

Patty Jimenez
Vice President
of Lending

Bertrand Villavert
Vice President & Controller

Tracy Koehler
Assistant Vice President
of Compliance & Risk Management

(Pictured left to right, top to bottom)





Board Chair and President's Message



Growth & Stability

2019 marked a year of new milestones for the Credit Union, as Southland continued to grow not only in assets but also in the ways we can reach out and serve our Members. We exceeded \$800 million in assets and \$90 million in Members' equity for the first time ever. We also increased dividends and interest to Members by 50%.

In addition to financial growth, the Credit Union achieved a significant objective by expanding its field of membership to all of Los Angeles County and all of Orange County. The ability to open our doors to residents in all our surrounding cities has simplified our qualification requirements while extending our uniquely personal service to an expanded area.



Establishing Roots in Long Beach

Building on the groundwork we laid in the previous year, in 2019 the Credit Union made enormous strides in the Long Beach market by strengthening our relationships and providing new services. The Long Beach branch made a splash in the community with a successful grand opening event, with local dignitaries and Members enjoying a day of celebration and fun.

Southland also continued to develop its on-campus relationships with California State University, Long Beach. We partnered with Long Beach State Athletics, Associated Students, Inc. and the Department of Journalism and Public

Relations to deliver the Credit Union message to students and faculty at some of the most widely-attended events of the school year.

We also identified areas where we can do more to serve our student and millennial Members. In 2019, the Credit Union launched a Free Checking account with no fees and no minimum opening deposit. We followed this entry-level product with the launch of our Student Lending program, including undergraduate student loan options as well as refinance solutions.

We are looking forward to continuing to develop and grow these roots within the Long Beach community, the Cal State Long Beach campus, and other universities in our area in the years to come.

Creative service solutions

Southland's agility and eagerness to serve its Members was proven in 2019 with our response to the partial government shutdown. The Credit Union responded soon after the shutdown by providing emergency loan assistance, including a Furlough Relief Line of Credit and Loan Payment Deferrals. The impact to our government employee Members was immediate. Southland supplied more than 100 loan payment deferrals and \$500,000 in 0% interest lines of credit to Members in need.

To continue our objective of providing more access combined with improved technology and security to all our Members, Southland installed three new ATMs in 2019 as well as enhanced card readers to reduce fraud.



Angie Avery
Board Chair
Board of Directors



Thomas G. Lent, CPA
President &
Chief Executive Officer

A smile for every Member

The theme of the 2019 Annual Report is #CUSmile, which was our Member-focused social media campaign that prompted our Members to send in photos and stories of ways that Southland's service put a smile on their face. Some of those stories are shared throughout this report. We are proud to live out the philosophy of "people helping people," and the heartwarming anecdotes that were shared are a testament to Southland's commitment to making a difference in the lives of our Members.

We demonstrated our appreciation for our Members through a series of "Official Credit Union of Summer" events at all our branches. We hosted three donation drives, participated in a beach cleanup and sent out volunteers to provide service to those in need at Serve Los Al for Grateful Hearts and the Thanksgiving meal packing event with Helping Hands Giving Hope. Service is part of our DNA, and we are grateful for every opportunity to give back.

A great place to work

The strength of the Credit Union is comprised of its Associates. Everything we do for our communities and our Members is supported by a highly engaged and enthusiastic workforce. For the first time ever, Southland was named the "Best Credit Union to Work For" by Credit Union Journal. Ranking among the top 50 credit unions in the nation and top three in the state, Southland's achievement reflects its commitment to our most valuable asset — our Associates. Southland was also awarded a second Peter Barron Stark "Award for Workplace Excellence" in 2019, reinforcing the outstanding workplace culture the Credit Union works diligently to maintain.

As we look ahead to years to come, we are eager to achieve new heights with anticipation of all the possibilities ahead of us. On behalf of the Board of Directors, Southland Executive Management and the entire team of Associates, we thank you for the opportunity to serve your financial needs.

Angie Avery
Board Chair, Board of Directors

Thomas G. Lent, CPA
President and Chief Executive Officer



Southland Credit Union Consolidated Statements of Financial Condition

As of December 31, 2019 and 2018

	(unaudited)	
	2019	2018
Assets		
Cash and Cash Equivalents	\$ 75,920,114	\$ 38,764,346
Deposits in Other Financial Institutions	2,578,000	19,880,000
Investment Securities:		
Available-for-Sale	127,868,449	85,951,042
Other Investments	3,510,402	3,504,201
Loans Held-for-Sale	3,054,696	1,138,134
Loans, Net	545,078,874	539,322,822
Accrued Interest Receivable	1,963,019	1,774,098
Credit Union Owned Life Insurance	28,362,781	27,915,499
Premises and Equipment, Net	17,651,163	16,949,485
NCUSIF	6,056,382	6,053,278
Other Assets	6,834,222	6,848,685
Total Assets	<u>\$ 818,878,102</u>	<u>\$ 748,102,590</u>
Liabilities		
Members' Shares and Savings Accounts	\$ 680,493,907	\$ 643,045,821
Borrowed Funds	40,000,000	10,000,000
Accounts Payable and Other Liabilities	6,965,680	8,212,761
Total Liabilities	<u>727,459,587</u>	<u>661,258,582</u>
Members' Equity		
Regular Reserve	12,887,164	12,887,164
Undivided Earnings	52,542,271	49,684,009
Equity Acquired from Business Combinations	25,687,879	25,687,879
Accumulated Other Comprehensive Income	302,201	(1,414,044)
Total Members' Equity	<u>91,418,515</u>	<u>86,844,008</u>
Total Liabilities and Members' Equity	<u>\$ 818,878,102</u>	<u>\$ 748,102,590</u>

Southland Credit Union Consolidated Statements of Income

For the years ended December 31, 2019 and 2018

	(unaudited)	
	2019	2018
Interest Income		
Loans	\$ 23,744,715	\$ 22,340,851
Investment Securities and Cash Equivalents	3,688,102	2,521,900
Total Interest Income	27,432,817	24,862,751
Interest Expense		
Members' Shares and Savings Accounts	4,077,524	2,720,216
Borrowed Funds	909,143	47,983
Net Interest Expense	4,986,667	2,768,199
Net Interest Income	22,446,150	22,094,552
Provision for Loan Losses	905,000	2,999,000
Net Interest Income After Provision for Loan Losses	21,541,150	19,095,552
Non-Interest Income		
Fees and Charges	7,122,035	6,634,372
Other Non-Interest Income	1,416,347	1,803,311
Total Non-Interest Income	8,538,382	8,437,683
Non-Interest Expense		
General and Administrative:		
Employee Compensation and Benefits	14,679,771	13,819,928
Occupancy	3,105,370	2,333,045
Operations	4,376,896	3,720,629
Professional and Outside Services	1,079,616	1,262,594
Educational and Promotional	1,748,991	1,351,631
Loan Servicing	1,055,994	1,138,416
Other	1,174,632	990,924
Total Non-Interest Expense	27,221,270	24,617,167
Net Income	\$ 2,858,262	\$ 2,916,068

CONGRATULATIONS SARAVIA FAMILY



"Southland Credit Union has been nothing but great to my family. SCU has been with me from the very beginning; I became a SCU Member when I started my career in public service. Soon thereafter, I applied for a personal loan to help pay for my wedding as I married my better half. Shortly after that, we were ready to purchase our first home and went through none other than SCU. Paul Walker out of Santa Monica was very friendly, professional, helpful and very patient with all our first-time buyer cluelessness and questions. Three years after living in our dream home, we were blessed to start our own family. Also, it should be noted and cannot go without mentioning that while my wife was 32-weeks pregnant, she was diagnosed with breast cancer and placed out of work. Our work held a fundraiser to raise money to help us get through a difficult time and they used our SCU account to get the funds to us rather quickly. SCU has made all our dreams come true and my family will forever be proud SCU Members, including my one-year-old. Thank you for allowing me to share my SCU story. You guys have been nothing but a blessing to my family!"

– Ben S.

“

You guys have been nothing but a blessing to my family!

”



#CUSmile

We received nearly 100 Member submissions to our #CUSmile sweepstakes this year! Thank you to all who shared a story about how Southland put a smile on your face.

All the stories we received have been shared on our website and throughout the Credit Union. We had many kudos to give to our amazing Associates who provide our Members with service that goes above-and-beyond every day.

On the following pages, we share just a few of the heartwarming stories submitted by Members just like you!

“

Southland Credit Union is more than just a bank. The team truly goes above and beyond to help the Members. I love my Southland.

”

"To be honest, my whole Southland Credit Union experience has always made me smile. The Southland Credit Union team is amazing, genuine, caring and thoughtful, especially Ani, Roisaen, Leonard and Rebecca. My husband and I have had the pleasure of going on many daytime dates this summer because of the Southland Credit Union free ice cream. We were basically following the ice cream truck around and attending Southland Credit Union events – learning about all the different branch locations (that we honestly didn't know existed until this summer). We first met Roisaen at the Santa Monica branch. My husband and I opened our first joint account together. Roisaen was so down to earth, funny, cool and knowledgeable. Then we met the amazing Ani, Leonard, Rebecca and the whole weekend team at the Summer Auto Sale in Cerritos. Leonard and my husband were immersed in deep conversation and Ani was friendly, kind, caring, smart, thoughtful and helpful. She assisted us with getting a pre-approved auto loan. Today, we set up my Auto Loan for auto payment. Ani has also checked up on my husband and I to see how we and our car were doing. Rebecca literally walked us across the street and helped us get the best deal for our new 2019 car. We could not and would not have gotten such a great deal on our new car if it wasn't for her; she really watched out for our best interest. Southland Credit Union is more than just a bank. The team/staff truly goes above and beyond to help the Members. I love my Southland Credit Union."

– Latoya J.

"When I went to Toyota to buy a car, many banks were offering standard interest rates, but Southland proved to have more to offer with the best interest rate. After getting acquainted with Southland, I opened a new checking account and have been impressed ever since. I love the fact that Southland isn't a bank, but an awesome Credit Union. I enjoy the services and sister branches where I'm able to conduct business. An added benefit is the 1000's of ATMs I have access to get cash or make deposits while making my errands."

– Evan H.



"I love my Southland branch in Santa Monica! I get a warm fuzzy feeling when I enter the branch because I know it is clean and the employees are always helpful and there is rarely any wait time. I also enjoy the super convenient coin machine, low interest loans and the bonuses you can earn! I have researched credit unions and banks for many years and have never found one better than Southland!"

– Jason T.



“

I have researched credit unions and banks for years and have never found one better than Southland!

”



"I was born and raised in Orange County. For 28 years I loved living here, but a little over three years ago I had an opportunity to travel and move to Chicago for my company. Moving across country can add up quickly and I didn't have the funds to pay for it all up front. I went to my local branch and applied for a Southland Credit Card and explained how much of a limit I needed for moving and got approved in no time. Chicago is one of my favorite cities to visit and because of Southland I was able to live there when the Cubs won the World Series! It was a historical moment and I lived on the same street as Wrigley Field. The parade came right down my street and my wife and I were there for it all. I made sure to stick with Southland because they always took care of my account in the best possible way. Since then I've lived in Chicago, Denver, and now back here in Los Angeles and I'll never forget my adventures happened because of the support of Southland."

– Matthew N.

"I went through a divorce after 26 years of marriage, and I didn't know if an option to buy someone out was possible, especially as a single person with one income... Unheard of. I placed my trust with Southland, worked closely with Paul Walker and through it all, I was able to achieve my dream. Financially, I was able to meet the criteria, and the process was scary but Paul assisted me through it. I am very grateful to share I am now the sole owner of the home my children grew up in for the past 24 years. Thank you for making almost an impossible dream come true for my children and me."

– Cathi H.



“

Southland Credit Union
has helped me through
MANY life changes.

”

"Southland Credit Union has helped me through MANY life changes. I started as a single mom and every penny saved helped, especially with no fees or return fees using other ATMs. I opened and closed a small business over a 7-year span and Southland Credit Union was ALWAYS there for me, acting like a big bank, but helping me like a community bank. I have gone from one to five accounts throughout the years. I am now getting ready to retire and I feel very content with the service I get from Southland. I recommend this credit union to everyone I know. Great staff and security that my money is safe. Thank you, Southland Credit Union."

– JoAnn B.



Treasurer's Report

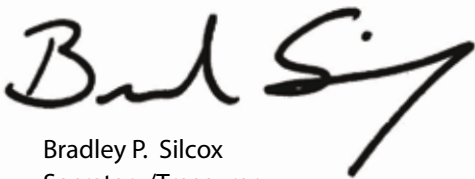
Southland Credit Union's Board of Directors and Supervisory Committee Members are dedicated volunteers who work diligently to ensure the continued safety and soundness of the Credit Union. On behalf of the Board of Directors and Supervisory Committee we want to thank all our Members for their membership. Southland is dedicated to providing our Members with exceptional, comprehensive, and innovative financial solutions, delivered with uniquely personal Southland service.

Southland is committed to its vision of providing greater financial wellbeing for our Members and communities. Our 2019 net income remained steady at \$2.9 million. The Credit Union also increased dividends and interest to Members by \$1.4 million over 2018 for a total of \$4.1 million returned in 2019.

With a 11.12% Net Worth Ratio, Southland continues to maintain a significantly higher level of Net Worth than the minimum required level of 7% needed to be considered "well-capitalized". In addition, assets grew to \$820 million in 2019, with \$70 million in increased assets since December 2018.

Southland's excellent financial condition has positioned the Credit Union for continued success and growth and exciting innovative opportunities for 2020.

Sincerely,



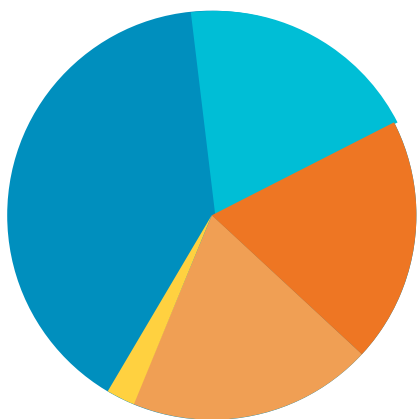
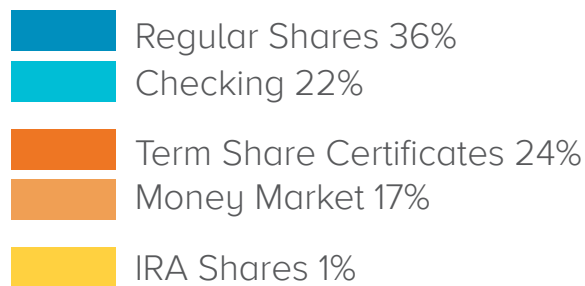
Bradley P. Silcox
Secretary/Treasurer
Board of Directors



Bradley P. Silcox
Secretary/Treasurer
Board of Directors

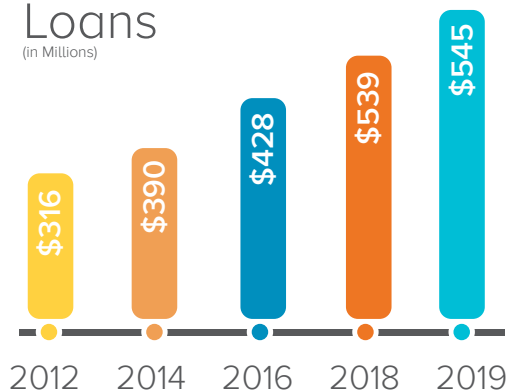


Deposit Mix



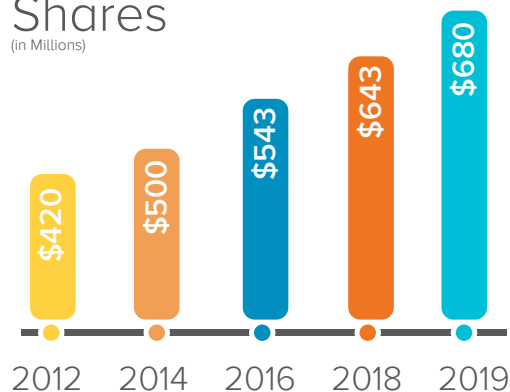
Loans

(in Millions)

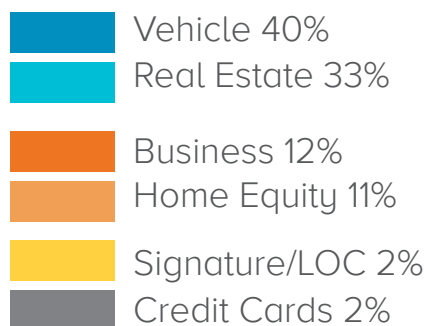


Shares

(in Millions)

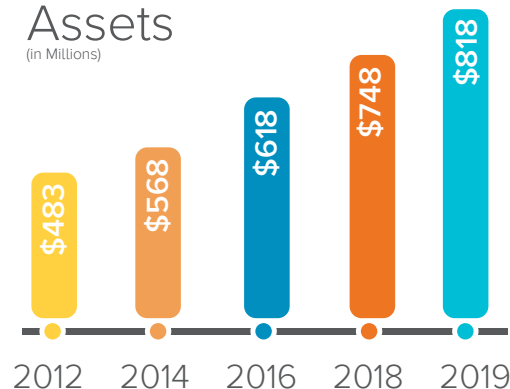


Loan Mix

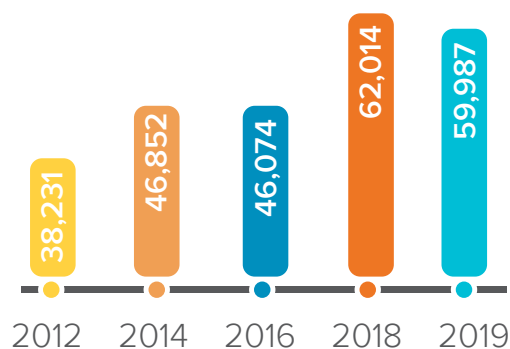


Assets

(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, 2019 and 2018 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,



Morris Litwack
Committee Chair
Supervisory Committee



Morris Litwack
Committee Chair
Supervisory Committee

OUR
Community
2019

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.







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 a.m. to 6 p.m.

Sat 9 a.m. to 1 p.m.

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 a.m. to 6 p.m.

Sat 9 a.m. to 1 p.m.

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 a.m. to 5 p.m.

Additional Services:

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



SANTA MONICA

525 Santa Monica Blvd.

Santa Monica, CA 90401

Hours: Mon-Fri 9 a.m. to 6 p.m.

Sat 9 a.m. to 1 p.m.

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 a.m. to 4 p.m.

Closed Daily 11 a.m. to 12 p.m.

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