

F&A Federal Credit Union
2021 ANNUAL REPORT



OUR VISION

Creating exceptional financial opportunities for all members and their families today, and for generations to come.



\$383 per member

Giveback (combined loan and deposit) - peers pay \$40*



\$73 fee giveback

F&A is in the 99th percentile among peers*



\$113 loan rate

Giveback – peers pay \$20*



\$270 deposit rate

Giveback – peers pay \$20*



90th percentile among peers

for Operational Efficiency¹



316% more APY

The average interest rate on a savings account nationally is .06% APY. F&A pays .25% APY for a basic savings account²



1.99% APR

The average auto loan interest rate is 3.64% APR for new cars in the US; F&A's rate is as low as 1.99% APR³.

*Source: Raddon Financial Services. "Giveback" quantifies value returned based on loan and deposit rates.

¹Source: Raddon Financial Services. ²Source: bankrate.com Feb 2022. ³Source: NerdWallet Feb 2022.

CHAIR/CEO REPORT

Continuing Our Tradition of Delivering Exceptional Value

Mary E. Gutierrez
Chair, Board of Directors



Tim Green
President/CEO



2021 was an extraordinary year at F&A Federal Credit Union. We continued to provide exceptional value to our members while working to remain safe and vigilant in the face of the still very present global pandemic. While 2020 was a year to survive in the midst of unprecedented challenges, F&A continued to thrive in 2021 despite facing all of the same challenges.

F&A ended the year with approximately \$2.3 Billion in Total Assets which constitutes 10% growth over 2020. This growth was attributable to deposits surging 12% as the pandemic continued to curb members' opportunities to spend. Lending continued to grow at a strong rate with total loans increasing by 38% on the Balance Sheet. Capital remained very high at over 13%, which is in the top 10% of credit unions over \$1 Billion in the US.

The growth in lending is only a part of F&A's success, as we originated a record volume of loans totaling \$342 Million, all while significantly improving our service levels. We cut the time it took to fund a mortgage in half during the year, improving member satisfaction by 22%. The performance in lending underscores the Credit Union's mission to meet our members' needs not only by offering great rates, but also through delivery of exceptional service.

Net income was just under \$12 Million for the year and Return on Assets was a solid 54 basis

points. However, profitability is not the only metric we focus on when measuring success at F&A. We focus on the exceptional value we deliver to the membership and in that measure, we performed as well as any credit union in the United States. In fact, F&A paid higher dividend rates than almost any other credit union in the U.S., ranking 4th highest in dividends per member in the U.S. for credit unions over \$1 Billion in Total Assets. To put that in perspective, we would have made an additional \$6 Million in total income if our dividend rates were equal to the average rate at peer credit unions. We also continue to operate efficiently, ranking the fourth lowest cost of operations for large credit unions in the country. Lastly, we continue to deliver this performance by not charging significant fees; F&A's average of \$5 in fees per member ranks among the lowest in the United States.

All of this adds up to delivering the exceptional value that F&A members have grown accustomed to. We are striving to ensure our members stay with us for generations, and we will continue to look for ways to deliver the exceptional value you have grown to expect from us.

As we look to the future, we have set the stage for many exciting things to enhance the member experience. We developed and began executing the three-year strategic plan in 2021 with three key focus areas: Service Excellence, Digital Transformation and Member Financial Wellness.

OUR MISSION

We help our members reach their financial goals at every life stage by providing access to the highest quality value products, superior service, and trusted advice.

Each area saw major accomplishments:

Service Excellence: Using member journey mapping, we were able to develop a process for evaluating the member experience, analyzing touchpoints, and developing solutions to make it easier to do business with us. This resulted in positive changes in our account opening process, branch transactions, and new member communications. We will move systematically through the organization over the coming years, striving to minimize or eliminate difficulties, making F&A the easiest financial institution in the country to do business with.

Digital Transformation: F&A realizes modern and intuitive technology is critical for long-term member satisfaction. Management has begun evaluating both the online and mobile banking environment, and the core banking processor systems. Great progress was made during 2021. We have selected a new online banking and mobile vendor and expect to launch the modern platform in late 2022. We have also contracted with Zelle and will make this person-to-person payment platform available to members in early 2022. Our objective is to ensure our members have the best technology to accompany our exceptional value and personalized service.

Financial Wellness: Our third initiative centers around member financial wellness. To assist our members in this important area of their lives, we have taken a three-pronged approach. Our first goal was to provide members with intelligent web-based content in a dynamic financial educational platform tailored to individual needs. We selected a partner called Enrich, and the platform was launched in February 2022. In the years to come we will augment this online education with in-house personal financial planning and digital financial management tools. This Financial Wellness Initiative will help ensure F&A equips its members with the sound financial knowledge needed to maximize their financial success.

In summary, 2021 was an incredible year and one the Board of Directors and Management are extremely proud of. All of this is possible because F&A Federal Credit Union has the best members of any credit union in the world. On behalf of the Board of Directors and the F&A Team, we are grateful for the opportunity to serve and meet the financial needs of such an extraordinary group of people. We thank you for continuing to put your trust in us.



Mary E. Gutierrez
Board Chair



Tim Green
President/CEO

SUPERVISORY COMMITTEE REPORT

Protecting Our Member's Interests

Pablo Valadez
Chair, Supervisory Committee



F&A's Supervisory Committee is composed of four volunteer members appointed by the Board of Directors.

The Committee is charged with ensuring that the Board of Directors and management of the Credit Union:

- Meet required financial reporting objectives and
- Establish practices and procedures sufficient to safeguard members' assets.

With the assistance and cooperation of management, the Committee ensures that the Credit Union adheres safe and sound business practices and meets the regulatory standards established by the National Credit Union Administration (NCUA). The Committee also ensures a timely execution of an annual internal audit plan that emphasizes the testing of internal controls in compliance with applicable laws, rules, and accounting practices. These responsibilities are accomplished through an external financial audit performed by Turner, Warren, Hwang, and Conrad AC (TWHC), a national CPA firm with recognized expertise in the credit union industry. TWHC's final opinion is that F&A's internal controls are satisfactory, and

the financial statements were fairly presented in all material respects. Further, the Credit Union conducts multiple internal audits throughout the year with the assistance of multiple third-party subject matter experts.

Based on our review of the independent auditor's report, and the results of the NCUA examination, I am pleased to report that it is the opinion of your Supervisory Committee that the Credit Union's policies, procedures and practices are sound, and that F&A Federal Credit Union continues to perform well compared to peer credit unions.

I would like to acknowledge the contributions of my fellow Supervisory Committee volunteers: Michael Carnes, Margaret Kanishock, and J. Lopez. They join me in expressing our gratitude to the Credit Union Board of Directors, management, and staff for their dedication to ensuring that F&A Federal Credit Union remains a financially sound institution.

A handwritten signature in black ink that reads "Pablo Valadez". The signature is written in a cursive, flowing style.

Pablo Valadez
Chair, Supervisory Committee

2021 FINANCIAL STATEMENTS

Statement of Financial Condition (in thousands) At December 31, 2021 (Unaudited)

Assets	
Loans to members	\$ 646,725
(Less) Allowance for loan losses	<u>(1,601)</u>
Total net loans to members	645,124
Cash and cash equivalents	\$ 118,100
Investments:	
Securities available for sale	\$ 1,329,560
Securities held to maturity	47,000
Other	<u>93,350</u>
Total investments	1,469,910
Accrued interest on loans	\$ 1,123
Accrued interest on investments	3,600
Land and building, net of depreciation	7,968
Other fixed assets, net of depreciation	861
National CU Share Insurance Fund deposit	16,544
Other assets	<u>28,585</u>
Total Assets	\$ <u>2,291,815</u>
Liabilities, Member Deposits and Equity	
Accounts payable and other liabilities	\$ 90,482
Member Shares:	
Regular shares	\$ 351,656
Share drafts	273,832
Money market accounts	825,477
Share certificates	372,480
IRA shares and certificates	<u>82,640</u>
Total member share accounts	1,906,085
Member Equity:	
Regular reserves	\$ 15,022
Undivided earnings	285,764
Accumulated other comprehensive gain	(6,087)
Capital arising from acquisition	<u>549</u>
Total members' equity	295,248
Total Liabilities, Member Deposits, Equity	\$ <u>2,291,815</u>

Statement of Income & Expense (in thousands) For the Year Ended December 31, 2021 (Unaudited)

Interest Income	
Loan receivable	\$ 17,365
Interest-bearing accounts and investments	<u>15,473</u>
Total interest income	32,838
Interest Expense	
Members' share accounts	\$ 14,412
Borrowed funds	<u>760</u>
Total interest expense	15,172
Provision for Loan Losses	\$ <u>(491)</u>
Net Interest Income after Provision for Loan Loss	\$ 18,157
Non-Interest Income	\$ 5,774
Non-Operating Gains	6,116
Non-Interest Expense	\$ <u>18,299</u>
Net Income	\$ <u>11,748</u>

As member deposits grew rapidly during the pandemic, F&A Federal Credit Union's capital ratio declined to 13.15% as of December 31, 2021, from 13.90% as of December 31, 2020.

In 2021, the Credit Union paid out 37.32% of our gross income to our members in the form of dividends, a slight decrease over the 38.26% paid in 2020. Our Return On Assets of 0.54% in 2021 remains strong and demonstrates our ongoing ability to generate favorable returns for our members.

As of December 31, 2021, our total assets were \$2,291,815,231, an increase of 10% over total assets for year ending 2020. Member loans grew over 38% in 2021 and member share deposits increased by over 12% over year ending 2020. With net income of \$11,748,212 for the year ended December 31, 2021, our members' total equity decreased by 5.18% over December 31, 2020, as the book value of our investments dropped due to higher interest rates. We remain committed to providing our members with low loan rates and minimal fees while maintaining very high dividend rates on share deposits.

BOARD OF DIRECTORS



Mary E. Gutierrez
Board Chair



Richard A. Russell
Vice Chair



Chris E. Bundesen
Secretary/
Treasurer



Theresa R. Barrera
Board Member



William "Blackie"
Blackburn
Board Member



Andy M. Doyle
Board Member



Robert Heinzl
Board Member



Michael F. Idol
Board Member



Van Mark Madrigal
Board Member

SUPERVISORY COMMITTEE



Pablo Valadez
Supervisory
Committee Chair



Margaret Kanishock
Supervisory
Committee Member



J. Lopez
Supervisory
Committee Member



Michael H. Carnes
Supervisory
Committee Member

SENIOR MANAGEMENT



Tim Green
President/Chief
Executive Officer



Michael Harden
EVP/Chief
Investment Officer



Pam Chick
SVP/Chief
Electronic
Services Officer



Michelle Swauger
SVP/Chief
Administrative
Officer



Michael Welch
SVP/Chief
Lending Officer



Yong Whang
SVP/Chief
Technology
Officer

OUR VALUES

SERVICE

We put our members first.

INTEGRITY

We hold ourselves to the highest ethical standards.

RESPECT

We value each other through teamwork, respect, kindness, and inclusion.

ACCOUNTABILITY

We consistently deliver on our commitments.

EXCELLENCE

We embrace challenges and relentlessly pursue the best solutions.



**F&A Federal
Credit Union**

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Insured by **NCUA**