

# ANNUAL REPORT



2015

# 2015 YEAR IN REVIEW

As we look forward to celebrating our 80th Anniversary in 2016, we reflect on our legacy and are honored that members have trusted us as financial advocates. Through the "Magic of Membership" thousands of members have benefited from products and services that have helped them afford life's necessities and plan for their futures.

In recent years, members continue to ask for banking that is simple and clear; a financial advocate when they need one; and help making sound financial decisions in this very complex world. Our collaborative work in 2015 shows that we've made tremendous strides in accomplishing these directives.

To stay on target with simplicity, we continued offering our Simple1 Loan. This loan helps members consolidate credit card bills and loans into one low-interest-rate payment. The Simple1 Loan is a competitive alternative to many higher-interest rate cards or loans and offers a streamlined approach to debt consolidation.

We continue to make members' lives even easier, with our "Power Auto Buying Service." The Power Auto Buying Service is a time-saving service that finds cars for members. No haggling at the car dealership, no hours of negotiating. Our members called or visited a branch and ordered the car they wanted at a pre-negotiated low price—and over 250 cars were delivered to members through this service in 2015. In addition, our "Going Bananas Auto loan," offered members competitive pricing with one low rate, for new, previously owned or refinanced vehicles.

On the technology front, we simplified members' lives with Mobile Deposit. Members simply take a picture of their check with their mobile device, and deposit it in their account. By the close of 2015, over 3,200 deposits were made using Mobile Deposit.

We enhanced our Online Banking platform with automated alerts to make our members' accounts safer, and also enhanced our email and text alerts giving members more control over

what's going on with their money. Best of all, these conveniences came at no cost to them.

In honoring long-time WPCCU members, we introduced bonus dividend rates on Savings and IRA certificates for members with 10 years or longer membership.

In October we made cash rewards "Twice as Nice" for the WPCCU Cash Rewards MasterCard. Members now earn 2% cash rewards on all qualifying purchases. And to keep with the simple approach, there are no points to redeem and cash rewards automatically credit to members' accounts each December.

And, just in time for the holiday season, approximately 2,600 Platinum and Cash Rewards MasterCard members received automatic line increases on their accounts. The increases were based on the member's good standing with the credit union and their overall credit quality. The increases ranged from \$1,000 to \$3,000 based on the member's credit score. This is our third automatic increase in two years and so far it has been a huge success. Members seem to be very happy with the higher spending limits.

To make the summertime and winter holidays even brighter, we continued the extremely popular SummerTime and Holiday loans to prequalified members at times when they were most likely to need a little extra cash.

Looking forward, WPCCU is proud to now be a part of the new La Kretz Innovation Campus located in the Arts District area of Downtown Los Angeles. An ATM was installed in November and will be accessible to LADWP employees and customers, the local community, as well as entrepreneurs, inventors and business leaders occupying

the new facility. Furthermore, we're focusing on maintaining our connection with LADWP employees. To this end, we installed a new ATM at the Lincoln Heights DWP Yard. This facility employs approximately 200 LADWP employees.



This year, our branch enhancements included new cash recyclers - automated machines that count cash for tellers during deposit. The new machines are an efficient way of improving customer service.

An integral part of our culture has been to serve our community and continue supporting membership outreach through charitable organizations. For another year, WPCCU sponsored the DWP Science Fair and also raised over \$8,000 for Children's Hospital of Los Angeles and Children's Miracle Network.

On behalf of the Board of Directors and our staff, we are honored to have had the privilege of serving you, our members, this past year and thank you for your membership.

Carl E. Stewart  
President/CEO

Bill Younger  
Chair of the Board

*I have trust and confidence in the staff of WPCCU. The branch staff always keep me informed of important matters concerning my accounts and are always there to guide me in making the best decisions regarding my finances."*

Ray Garcia  
Member for 40 years



*I have extra banking convenience being a member of WPCCU. The credit union has been a tremendous help to me for over 30 years. The loan offerings, the locations for me to bank, all fit in perfectly for what I need from a financial institution.*

Sharon Moore  
Member for 30 years





## CFO & TREASURER REPORT

To misquote Dickens, "It was the best of times, It was the best of times." In 2015 the credit union performed better on every financial measure when compared to 2014. Net Income was up, loans and shares grew substantially, and charge-offs and delinquencies were down. 2015 was a truly remarkable year.

The credit union ended the year as big as it has ever been with \$557 million in assets. Shares grew a solid 6.75%, beating 2014's growth rate of 4.24%. Lending was also very fruitful, growing at an astounding rate of 12.15%, which was above an impressive 9.10% growth in 2014. Normally with this kind of growth the loan quality decreases, but not your credit union. We reduced the delinquency from 1.13% in 2014 to 0.89% in 2015. Net loan charge-offs also decreased during the year, holding steady at 0.45% in 2015 versus 0.49% in 2014.

The bottom line was equally impressive. Net Income was \$3.9 million, a million dollars more than the \$2.9 million earned in 2014. Your credit union management is always looking at ways to save money, operate more efficiently, and use your resources wisely without sacrificing security initiatives. In 2015, we accomplished this, as the Cost of Operations was reduced from 3.10% to 3.06%.

### "2015 WAS TRULY A REMARKABLE YEAR"

The credit union continues to experience success with its investment portfolio. Through diligent efforts and active cash management, the credit union increased its yield on the investment portfolio from 1.20% to 1.31%. This increase added approximately \$300,000 to the credit union's bottom line. This was done without increasing credit risk and with investments that are 100% guaranteed by federal government agencies.

We have been proactive in preparing to serve the membership in times of financial stress and unexpected events. Disaster recovery plans have been developed and we will be here to serve our members through thick and thin. Fear not, for your credit union stands ready to assist.

The Board of Directors and management take seriously the responsibility of caring for the precious funds you have deposited with us. Rest assured that your credit union is focused on operating in a safe and sound manner, dedicated to maximizing service to you, our member and most prized possession.

Wesley Walton  
CFO

Craig Luna  
Treasurer



For years, I had accounts with big banks and they gave me nothing but trouble and fees. When I made the switch to WPCCU, I discovered the credit union difference. The products, services and customer service are all what I was looking for. In 3 short years, I now have a new car, awesome checking and savings accounts. I am a WPCCU member for life.

Kimberly Thomas  
Member for 3 years



WPCCU makes banking easy – with locations, great rates and stellar customer service. From the moment I walk into any branch, I feel like I'm being greeted by family. I trust that the credit union staff are genuinely there to help me and that's why I've been a member for over 20 years.

Manuel Romero  
Member for 20 years



# CREDIT MANAGER REPORT

## "A YEAR TO REMEMBER"

In my 23 years with the credit union, I have never seen a more stellar performance from our staff. This performance was widespread and can be attributed to sales, marketing, operational efficiencies, collections, and above all teamwork between all divisions.

After several years of negative growth, Net Loan Growth – a key performance indicator – has been excellent in the last two years. Net loan growth was phenomenal in 2015, with a positive \$24,563,342 increase to the overall portfolio. This puts our total loan portfolio at \$238,694,363 compared to \$214,131,021 at the start of 2015. That represents a growth rate of 144% of goal and 20 straight months of positive growth.

With a stellar overall gross sales performance by the sales staff, loan production for the year was outstanding at \$96,865,627 or 107% of goal compared to \$70,033,521 in total loan production for 2014. Branch loan production was at \$41,032,570 or 104% of goal and the highest since 2003 compared to \$35,371,346 last year. Highlights for the individual branches include: Sunset for top consumer loan with \$11,821,497 in total loans; Sunset for top auto loans with 290 total loans; Sun Valley for top memberships with 956 total accounts; Sun Valley for top checking with 705 total accounts; Hope Street for 278 total direct deposit accounts; and Northridge for top credit cards with 224 total accounts.

Real Estate lending also experienced enormous success, surpassing their stretch goal with total production of \$53,001,200 or 127% of goal compared to \$29,634,885 last year. This growth was consistent all year as they reached their target monthly production goal in 10 of the 12 months this past year. This steady production was aided by our diversified real estate product line that includes a stronger focus on adjustable rate mortgages in addition to traditional fixed rate products. Another big contributor was the expansion of our new home equity product. This product line brought in 68 loans for \$5,385,288 in total credit lines. In 2015, we also reached a significant milestone with sold loans to the secondary market, selling 59 loans for a total of \$16,384,780.

In Collections, we ended the year with all portfolios performing as expected. Overall delinquency remained stable throughout the year even while net loans increased. This is very noteworthy because it is very difficult to increase loans while maintaining collection standards. Usually an increase in loan growth causes delinquency and charge-offs to increase. In our case, we have been very diligent in growing slowly within our board approved tier benchmark limits. This means that we are not putting on high risk loans just for the sake of growth, but good quality core member loans. We ended the year with significant improvements to all collection performance standards. The most prominent being delinquency ratio below 1% at 0.89% and misery ratio (delinquency plus charge-off ratios) of 1.34%. This is a dramatic improvement from where we started in 2015 with a 1.30% delinquency ratio and a 1.63% misery ratio.

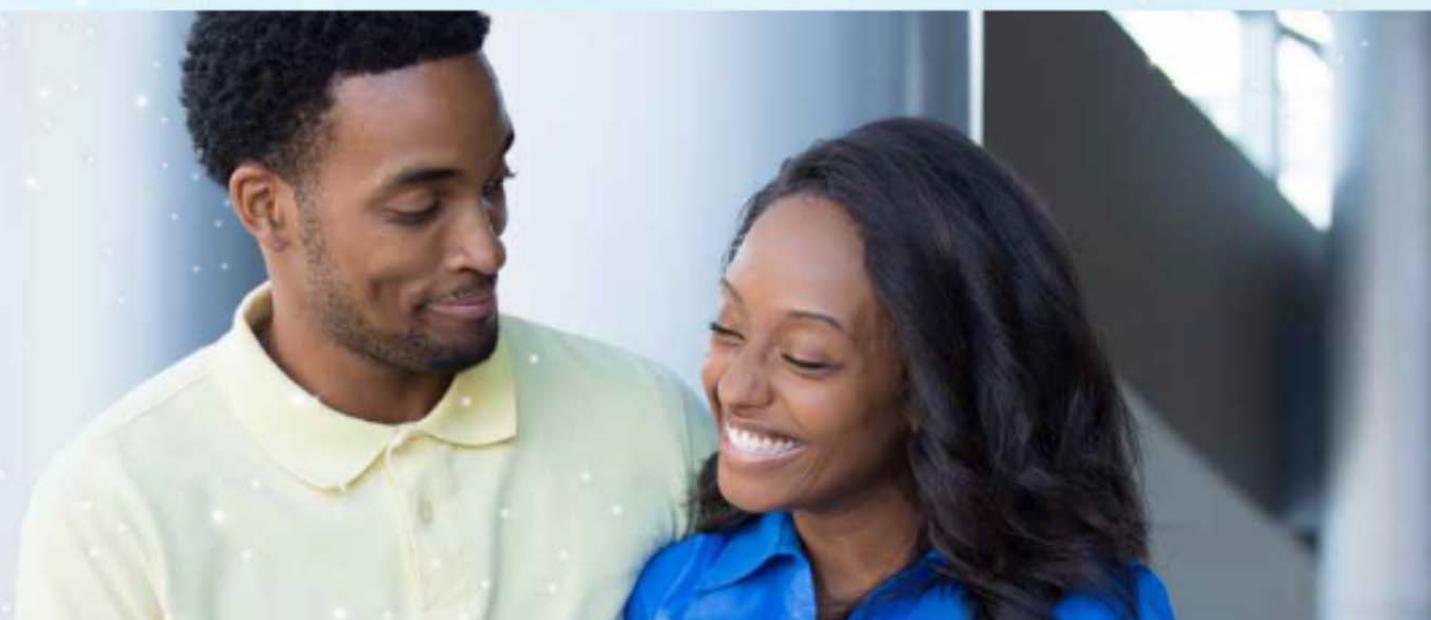
The credit union also performed our annual Credit Risk Management (CRM) analysis which showed that the overall lending portfolio is extremely strong and poses very little risk to our net worth and capital. This was the seventh CRM analysis and every year the results show strong improvement in overall loan risk. This analysis along with our year-end delinquency ratio provides strong evidence that our credit risk is low.

WPCCU continues to be diligent in expanding services to meet the growing needs of members. Not only do we continue to offer reasonable loan rates and flexible terms, we also provide a full portfolio of services to help members reach their financial goals through every stage of life. Thank you for your commitment as a member of WPCCU.



**Mike Tufegdzich**  
Vice President of Lending and Sales

**HIGHEST BRANCH  
LOAN PRODUCTION  
SINCE 2003**



# STATEMENT OF FINANCIAL CONDITION

	As of December 31, 2015 (unaudited)	
<b>ASSETS</b>	<b>2015</b>	<b>2014</b>
Cash and Cash Equivalents	\$ 12,122,140	\$ 26,169,147
Investments	273,664,902	262,482,384
Loans to Members, Net	235,302,789	209,201,668
Property and Equipment	5,613,685	5,471,707
National Credit Union Share Insurance Fund Deposit	4,657,495	4,469,243
Other Assets	25,789,899	15,153,532
<b>Total Assets</b>	<b>\$ 557,150,910</b>	<b>\$ 522,947,681</b>
<b>LIABILITIES &amp; MEMBERS' EQUITY</b>	<b>2015</b>	<b>2014</b>
Liabilities		
Members' Share Account	\$ 505,698,267	\$ 473,740,812
Accrued Expenses and Other Liabilities	5,158,399	4,400,198
<b>Total Liabilities</b>	<b>510,856,666</b>	<b>478,141,010</b>
Members' Equity		
Regular Reserve	9,923,909	9,923,909
Undivided Earnings	38,202,347	34,274,275
Accumulated Other Comprehensive Income	(1,832,012)	608,487
<b>Total Equity</b>	<b>46,294,244</b>	<b>44,806,671</b>
<b>Total Liabilities &amp; Members' Equity</b>	<b>\$ 557,150,910</b>	<b>\$ 522,947,681</b>
<b>INCOME STATEMENT</b>	<b>2015</b>	<b>2014</b>
Income		
Loans to members	\$ 11,440,568	\$ 10,430,466
Interest from Investments	3,722,063	3,414,459
Non-Interest Income	6,035,884	5,846,034
Gain on Sale of Investments	880,465	—
<b>Total Income</b>	<b>22,078,980</b>	<b>19,690,959</b>
Expense		
Interest Expenses	899,956	801,252
Provision for Loan Losses	730,000	98,000
Compensation and Benefits	8,860,676	7,725,989
Office Occupancy	1,068,323	943,282
Office Operations	3,788,618	3,662,696
Marketing (Educational and Promotional)	797,962	949,189
Loan Servicing	669,879	791,846
Professional and Outside Services	587,092	1,058,792
Other	748,404	717,132
<b>Total Expenses</b>	<b>18,150,910</b>	<b>16,748,178</b>
<b>NET INCOME</b>	<b>\$ 3,928,070</b>	<b>\$ 2,942,781</b>

# SUPERVISORY COMMITTEE REPORT

## VOLUNTEERS AND STAFF

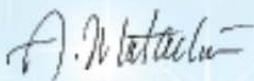
The Supervisory Committee is elected by the membership to independently evaluate the soundness of the credit union's operations and activities, and ensure that management implements sound internal controls and maintains practices and procedures that adhere to generally accepted accounting principles (GAAP).

The committee meets regularly and carries out the following responsibilities:

- Protecting members' funds and interests
- Safeguarding of assets
- Ensuring compliance with regulations, policies and procedures
- Maintaining the reliability of financial records

The Supervisory Committee members also serve on other standing and special committees at the request of the Board of Directors. Each member reviews specific areas in executing his or her responsibilities to the membership at large. These areas include adherence to the Bank Secrecy Act, Electronic Funds Transfer Act (Regulation E), Expedited Funds Availability Act (Regulation CC), Home Mortgage Disclosure Act (Regulation C), non-deposit investments, privacy, information technology, wire transfers and other procedures. The committee works with management to make changes where necessary to further strengthen credit union policies and procedures.

The Supervisory Committee retained a certified independent accounting firm, Turner, Warren, Hwang & Conrad Accountancy Corp., to perform an annual financial audit and issue certified financial statements relating to the overall financial condition of WPCCU. Auditors also evaluated the credit union's employee defined benefit and 401(k) plans, and compliance to all Bank Secrecy Act standards. Based on the results of the 2015 annual audit performed by Turner, Warren, Hwang & Conrad Accountancy Corp., as well as audits conducted by the California Department of Business Oversight and the National Credit Union Administration, the Supervisory Committee concludes that Water and Power Community Credit Union has adequate financial control, is financially sound, and that no corrective actions are required.



**Hassan Motallebi**  
Supervisory Committee Chair

### BOARD OF DIRECTORS

Bill Younger – Chair  
Venest Henry-Evans – 1st Vice-Chair  
Belinda Crawford – 2nd Vice-Chair  
Craig Luna – Treasurer  
Gladys Berry – Secretary  
Michele Wilson – Assistant Secretary  
Louie Ferrer – Assistant Treasurer

### SUPERVISORY COMMITTEE

Hassan Motallebi – Chairperson  
Gerard Watson – Vice-Chair  
Silvia Ochoa-Dellinger – Secretary  
Katrina Perez – Committee Member  
Howard Li – Committee Member

**EXECUTIVE MANAGEMENT TEAM**

Carl E. Stewart – President/CEO  
Wesley Walton – CFO  
Sonia Jazmin – AVP of HR and Admin  
Mike Tufegdzich – Vice President of Lending and Sales  
Nora Yusa – Vice President of Compliance  
Celeste Zibelli – Vice President of Marketing and Financial Services  
Janice Lim – COO/Vice President of IT

