

We're dreamer friendly.



annual  
report 20  
05

## Banking that Makes the Grade

When we started out 73 years ago, we did so with a mission. That mission was to improve the lives of those we serve. To provide an enriching and affordable range of solutions. And most importantly, to help our members live their dreams.

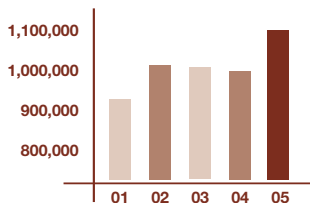
Today, our focus is much the same – but as needs evolve and technology progresses, our commitment to this mission grows as well. How we accomplish that mission is by providing a level of service that goes beyond banking. In fact, it's banking that makes the grade.

We know it's not enough to simply provide a banking alternative. We must meet your needs with a full range of products. We must provide convenience. We must be affordable. Simply put, we must excel to earn your loyalty. That's what it means to be "banking that makes the grade." And that's what it means to be California Credit Union.

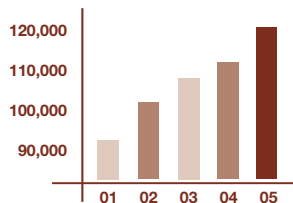
# Banking that Makes the Grade

## Financial Highlights (in thousands)

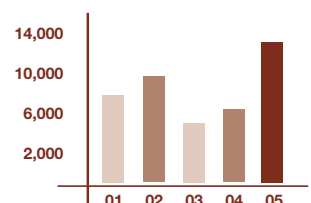
ASSETS (In Thousands)



CAPITAL (In Thousands)



NET INCOME (In Thousands)



## Board of Directors and Senior Management

### Board of Directors

Dr. Francis K. Nakano  
Chairman

Mario C. Florio  
Vice-Chairman

Dr. Reginald T. Murphy  
Secretary/Treasurer

Dr. Clifford H. Allen  
Director

James A. Figueroa  
Director

Fredric V. Nigro  
Director

Scott Svonkin  
Director

### Supervisory Committee

Walton Greene  
Chairman

Victor Hanson  
Secretary

Edward Ted Fujimoto  
Member

Surviva Mendoza  
Member

Ruth B. Schardin  
Member

### Senior Management

Ronald L. McDaniel  
President/Chief Executive  
Officer

Stephen R. O'Connell  
Chief Operating Officer

Don Pistulka  
Chief Financial Officer

Ron Stratman  
Chief Marketing Officer

Patrick Carey  
General Counsel

Chris Kerecman  
SVP Business & Community  
Development

## Report of the President & CEO

If you are like me, you reflect on the year 2005 in total amazement. It's truly remarkable and wonderful to see how much people who come together for our members can accomplish in just 365 days. What is even more noteworthy is how these accomplishments make California Credit Union "banking that makes the grade" now more than ever.

California Credit Union introduced several new or improved services in 2005, not the least of which is the decentralization of consumer loans. By moving the consumer lending process to each of our branches, we are able to help our members live their dreams even faster. We have completed the process of establishing loan officers and underwriters in all our branches, enabling faster, often even same-day funding of consumer loans. This improvement will help address the primary concerns you have shared with us about loan approval time and efficiency, and also helps us reach our goal of providing one-stop loan processing service for our members.

To help our members succeed in living their dreams of home ownership in the increasingly challenging real estate market, we also introduced a new "Helper" real estate loan for first time homebuyers. With this program, our members have access to an extremely low down payment option and below-market interest rates. In 2005, we also partnered with HomeSold to introduce the new DreamHome real estate agent rebate program, which gives up to 25% of the real estate agent's commission back to the members, whether they are buying or selling.

We haven't just expanded our products and services. We've also expanded our branch network. In the late summer of 2005, we opened our much-anticipated North San Fernando Valley Branch in North Hills, providing incredible convenience to those who live or work in this vibrant area of our community. Like all our branches, this newest addition to our network offers the full range of financial services that our members have come to expect from CCU. In addition, we are finalizing plans to open more branches in the near future, to better serve our members throughout our community.

Given all this progress, it's not surprising that California Credit Union also enjoyed tremendous success during 2005. Worthy of special note is our loan growth, which increased nearly 30% over 2004. It is a true testament to CCU's dedication to providing dreamer-friendly financial solutions.

With this great year of 2005 as yet another building block, we charge forward into 2006 with great expectations of what the new year will bring for California Credit Union and our members. I thank all our staff for helping us to live the vision that "banking that makes the grade" stands for. Most importantly, I thank our members for letting us earn your loyalty each and every day. It is our constant commitment to always look for ways we can improve your satisfaction. We look forward to continuing to serve your financial needs and to help you live your dreams for many years to come.

**Ronald L. McDaniel**  
President & CEO

20  
05

## **Report of the Chairman of the Board**

The year 2005 is one that reminds me exactly why I am not just the Chairman of the Board of California Credit Union, but first and foremost a member. I saw how our credit union made great strides toward improving member service. In addition, I saw how everyone at CCU came together to refocus our credit union's commitment to the education community we serve.

One shining example of this commitment is our Platinum Sponsorship of the LAUSD Superintendent's Meeting in August 2005, which kicked off the 2005-2006 school year. Our sponsorship helped make this event a great success, prompting many area schools to contact the credit union to request that we sponsor their events. When the 2005 LAUSD Academic Decathlon was reported to be in danger of being cancelled due to budget shortfalls, California Credit Union stepped up its financial support to more than \$30,000, which included underwriting production and broadcast costs of the award-winning Super Quiz show. Our sponsorship of this important event has already continued into 2006.

California Credit Union was also proud to support the Los Angeles County Office of Education as a sponsor of the 2005-2006 Los Angeles County Teachers of the Year program, a part of the National Teacher of the Year program, the nation's oldest and most prestigious recognition program focusing attention on excellence in teaching. Along with our sponsorship, CCU presented \$1,000 checks to each of the 13 LA County Teacher of the Year state semifinalists and to the Parent Volunteer of the Year.

For our second annual California Credit Union College Scholarship program, we increased our support of area students by 10 scholarships, awarding each of 35 deserving students with \$1,000 scholarships to help them realize their dreams of getting a college education. We also expanded the program to students within LACCD.

The year 2005 also saw the introduction of the Charter Schools Rewards Visa Credit Card program, which gives back 1% of all annual purchases to area Charter Schools. For 2006, we are expanding this program to include public and private schools in our community.

As anyone can see, California Credit Union's support of the ideals of quality education are unwavering. We therefore apply these same ideals to member education, helping make sure our members have access to financial literacy programs. One way we live this commitment is by conducting home buying seminars that educate our members on the home buying process. We also make sure that our newsletters and web site contain informative and educational materials whenever possible.

We realize that education is important for everyone. That's why we have set a strategic goal regarding Board training at California Credit Union. We have identified specific areas of training that will focus on ensuring we are the best possible stewards of our members' money.

Looking back on the past year – that is why California Credit Union is banking that makes the grade – and why I am proud to be a part of it. For the success of 2005, I thank our entire management team and staff for your steadfast enthusiasm to enhancing member service. I also thank the tireless volunteers who serve with me on our Board of Directors and those who serve on our Supervisory Committee. Your drive and dedication are central to the success of our great credit union.

**Dr. Francis K. Nakano**  
Chairman

## **Supervisory Committee Report**

California Credit Union operates in accordance with the Credit Union Sections of the Financial Code of the State of California, supplemented by the Special Credit Union Rules and Regulations of the Department of Financial Institutions.

The Supervisory Committee's responsibilities include communications and interactions with the Federal and State regulatory agencies and CCU's internal and external auditors. The Supervisory Committee reviews the financial affairs of the Credit Union and ensures the safety and soundness of CCU by monitoring its adherence to established internal controls. The Supervisory Committee communicates with the Board of Directors through reciprocal attendance at monthly meetings by representatives of each body. The Supervisory Committee reports to the membership at the annual meeting.

The Supervisory Committee oversees the annual audit, which examines the business of CCU through the engagement of an independent certified public accounting firm. A component of the annual audit is the confirmation of accounts with members each year.

Based upon its 2005 activities and findings, the Supervisory Committee believes that the business of CCU has been conducted in compliance with the rules of the Department of Financial Institutions and Credit Union Law and the accompanying financial statements of CCU are fairly presented and free of material misstatements.

Walton Green  
Supervisory Committee Chair

## **Independent Auditor's Report**

Turner, Warren, Hwang & Conrad AC  
Certified Public Accountants & Consultants

Board of Directors  
California Credit Union

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statements of financial condition of California Credit Union as of December 31, 2005 and 2004, and the related statements of income, members' equity, and cash flows for the years then ended (not presented herein); and in our report dated January 27, 2006, we expressed an unqualified opinion on those financial statements.

In our opinion, the information set forth in the accompanying condensed financial statements is fairly stated, in all material respects, in relation to the financial statements from which it has been derived.

Turner, Warren, Hwang & Conrad  
Accountancy Corporation  
January 27, 2006

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## Statements of Financial Condition

	December 31 (In Thousands)	
ASSETS	2005	2004
Cash and cash equivalents	\$61,024	\$68,138
Investments		
Securities available for sale, at fair value	105,301	135,860
Securities held to maturity (fair value of \$9,792 and \$59,955)	10,000	60,178
Other	60,285	75,737
Loans receivable, net of allowance for loan losses	804,782	623,786
Accrued interest receivable	4,358	3,930
Property and equipment, net of accumulated depreciation	34,405	40,167
National Credit Union Share Insurance Fund deposit	7,940	8,070
Other assets	12,368	4,450
<b>Total Assets</b>	<b>\$1,100,463</b>	<b>\$1,020,316</b>
LIABILITIES AND MEMBERS' EQUITY		
Members' shares	\$870,413	\$872,989
Borrowed funds	93,364	25,000
Accrued and other liabilities	13,999	10,600
Accrued interest payable on members' shares	—	33
<b>Total Liabilities</b>	<b>977,776</b>	<b>908,622</b>
Commitments and contingent liabilities (Note 7)	—	—
Members' equity, substantially restricted	122,687	111,694
<b>Total Liabilities and Members' Equity</b>	<b>\$1,100,463</b>	<b>\$1,020,316</b>



## Statements of Income

For the Years Ended December 31 (In Thousands)

INTEREST INCOME	2005	2004
Interest on cash balances	\$302	\$752
Interest on loans receivable	42,612	34,924
Interest on investments, share certificates and cash equivalents	7,850	10,511
Total Interest Income	<u>50,764</u>	<u>46,187</u>
INTEREST EXPENSE		
Interest on members' shares	15,846	14,914
Interest on borrowed funds	688	2
Total Interest Expense	<u>16,534</u>	<u>14,916</u>
NET INTEREST INCOME	34,230	31,271
PROVISION FOR LOAN LOSSES	<u>2,023</u>	<u>1,168</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>32,207</u>	<u>30,103</u>
NON-INTEREST INCOME		
Net real estate rental income	2,462	2,309
Gain on sale of real estate	2,949	–
Gain on sale of loans	175	51
Other income	8,528	6,286
Total Non-Interest Income	<u>14,114</u>	<u>8,646</u>
NON-INTEREST EXPENSE		
Compensation and benefits	17,480	15,099
Office Occupancy	3,930	3,838
Other	12,476	13,728
Total Non-Interest Expense	<u>33,886</u>	<u>32,665</u>
Net Income	<u>\$12,435</u>	<u>\$6,084</u>

## products & services

### CHECKING AND SAVINGS

Checking Accounts  
Savings Accounts  
Money Market Savings Accounts  
Individual Retirement Accounts (IRAs)  
Share Certificates

### CONSUMER LOANS

Auto, RV, Boat or Personal  
Watercraft Loans  
Visa® Traditional/Rewards/Share –  
Secured Credit Cards  
School Rewards Visa Credit Cards  
Personal/Signature Loans  
Student Loans  
Overdraft Program for Checking  
Payroll Advance  
Share Secured Loans

### REAL ESTATE LOANS

Mortgages  
Home Equity Loans  
Home Equity Lines of Credit

### SERVICES

Online Banking w/Bill Payment  
Touch Tone Teller  
Direct Deposit  
Payroll Deduction  
ACH Origination (EZ-Connect)  
Autoland Car Buying Service  
Enterprise Used Car Sales  
Insurance (Home, Auto, Term Life)  
Financial Planning and Investment Services  
New Teacher Program  
Directo A Mexico  
(International Money Remittance)

### MEMBER BUSINESS SERVICES

Basic Business Checking  
Premium Business Checking  
Money Market Savings Accounts  
Savings Accounts  
Savings Certificates  
Member Business Lending  
Real Estate  
Working Capital  
Lines of Credit  
Corporate Credit Cards  
Telephone Transfers  
Wire Transfers

Administration Office  
701 North Brand Blvd.  
Glendale, CA 91203

Member Services  
(800) 334-8788

Internet  
Web: [www.californiacu.org](http://www.californiacu.org)  
E-mail: [askme@californiacu.org](mailto:askme@californiacu.org)

Loan by Phone  
(800) 334-8788

Touch Tone Teller  
(800) 240-4629  
Account transactions by phone

## branches

Beaudry Branch  
333 S. Beaudry Ave.  
Suite 215  
(Beaudry and 3rd)  
Los Angeles, CA 90017

Cahuenga Pass Branch  
3330 Cahuenga Blvd. West  
Suite 115  
(Cahuenga & Barham)  
Los Angeles, CA 90068

Encino Branch  
17000 Ventura Blvd.  
(Ventura Blvd. & Genesta)  
Encino, CA 91316

Glendale Branch  
701 North Brand Blvd.  
Suite 120  
Glendale, CA 91203

North San Fernando Valley Branch  
9026 Woodley Avenue  
(Woodley & Nordhoff)  
North Hills, CA 91343

Pasadena Branch  
95 South Lake Avenue  
(Lake & Green)  
Pasadena, CA 91101

Rosenell Terrace Branch  
420 North Rosenell Terrace  
(Temple & Alvarado)  
Los Angeles, CA 90026

Torrance Branch  
22733 Hawthorne Blvd.  
(Hawthorne & 227th)  
Torrance, CA 90505

West Los Angeles Branch  
2215 Westwood Blvd.  
(Olympic & Westwood)  
Los Angeles, CA 90064

P.O. Box 29100  
Glendale, CA 91209-9100

(800) 334-8788  
[www.californiacu.org](http://www.californiacu.org)

**California**  
**Credit Union**  
*Banking that makes the grade.*

