



2011 Annual Report



Adding Value to the Neighborhood

Executive Management

Jeffrey A. Napper *President/CEO*

Branch Offices

Bixby Knolls

4436 Atlantic Avenue, Long Beach

Cerritos

11239 183rd Street, Cerritos

East Long Beach

4341 East 10th Street, Long Beach

Lakewood

4916 Bellflower Boulevard, Lakewood

Los Altos

6417 East Spring Street, Long Beach

Newport-Mesa

1401 Quail Street, Newport Beach

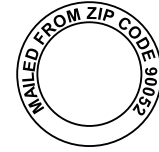
Mailing Address

P.O. Box 4860
Long Beach, CA 90804-0860



Adding Value to the Neighborhood

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To Our Member-Owners



We are very pleased to share with you that 2011 was another very successful year for your Credit Union. In spite of the slow recovery of the economy, LBS Financial

continues to be financially healthy and focused on providing excellent service to our Membership.

We truly value the feedback we receive from our Members throughout the year. The Credit Union continued our random weekly telephone surveys to Members that visited our branches or called our Information Central Contact Center. Over 94% of Members rated their last interaction with us a 4 or a 5 (on a scale of 1-5, with 5 being the highest). We also exceeded our goals for quality of service in our survey mailed randomly to Members twice per year.

The following lists the major highlights for LBS Financial during the year:

• **Bixby Knolls Exterior Renovation:** In February, the Credit Union completed its exterior renovation of the Bixby Knolls branch office on Atlantic Avenue. The Bixby Knolls branch received an exterior facelift to match the renovations done in the shopping center.

• **New CU OnLine and Bill Payer Service:** The Credit Union launched a new CU OnLine banking and Bill Payer Service in April, offering enhancements like person-to-person payments, online account openings for additional Savings, Share Certificates and Money Market accounts, the ability to receive bills electronically and more.

• **Home Buyers Seminars and Mortgage Fridays:** Four Home Buyer's Seminars were held at our Cerritos, Los Altos, East Long Beach and

Lakewood branch offices in the spring and summer of 2011. Many of our Members took advantage of these educational seminars and received a free home loan appraisal for attending. The Credit Union also introduced Mortgage Fridays where our real estate loan consultant was present at one of our branch offices on certain Fridays to answer Member's questions about the great home loan programs we offer.

• **Adopt-a-School Program:** Our relationships with the local schools are very important to us and through our new Adopt-a-School Program, we were able to help support local schools with much-needed supplies for the 2011-2012 school year. We look forward to continuing this program and working with the school districts to select different schools each year to benefit from the school supply drives.

• **Summer Savings Product:** The Credit Union launched a new Savings account in September for certificated or classified school employees. Members can save for the summer months when they don't receive a paycheck and earn significant interest. This special plan was designed to give Members the flexibility to access their funds, the ability to earn more by participation, a one - time catch up provision and the ability to decide the amount they want to save each month.

• **"Best Credit Union"** in Press Telegram Reader's Poll: LBS Financial was voted "Best Credit Union in Long Beach" in the 2011 Reader's Poll. We were honored to be recognized by our Members in the community and will strive to remain relevant in our Members' lives.

• **Credit Unions Make the News:** Credit unions and small community banks received great press in 2011 as a result of new fees being proposed to be charged by the large banks and general unhappiness by consumers. LBS Financial welcomed many new Members in October and November as a result of Bank Transfer Day and the movement to switch

to smaller, more local financial institutions. Thanks to our Members for spreading the word about LBS Financial to their friends and family!

We thank all of our Members for the trust you place in us each day. We hope you continue to be pleased with our level of service and we look forward to your continued feedback throughout the year. Best wishes to you and your family!

Douglas M. Wood, *Chairman*
Jeffrey A. Napper, *President/ CEO*



Treasurer's Report

Credit unions were created solely for the benefit of their Members. If a Credit Union isn't profitable, it cannot return those profits back to its Membership with market competitive rates, low fees and relevant services. I'm pleased to share that LBS Financial is not only financially sound, but continued to be profitable in 2011.

The local marketplace may still be reeling from the Great Recession, but your Credit Union is on solid ground and is a safe haven for your money. You can remain confident in LBS Financial knowing the following key financial highlights:

• **Net Capital Ratio:** This ratio is a key indicator of a Credit Union's financial health and can be compared to your personal savings account. Credit union regulators require a minimum of 6% to be "adequately capitalized" and 7% to be "well capitalized." At year end, LBS Financial had a net capital ratio of 12.29% (\$125.8 million), which is outstanding. Having a solid net capital ratio protects the Credit Union from future recessions or unexpected challenges.

• **Asset Growth:** In 2011, your Credit Union grew in assets from \$988 million to over \$1 billion. This is a respectable amount of growth, especially in an

economy that is still in recovery mode. This growth also demonstrates the earned faith and confidence our Members have in entrusting their savings with us.

• **Return on Assets:** LBS Financial's Return on Assets (ROA) was 1.42% for the year. ROA is the profitability of the Credit Union based on a percentage of our assets, and this is a very strong number. The profitability of the Credit Union allows us to provide better rates, maintain low fees and improve our products and services to you.

Loans continue to be the most important source of income for the Credit Union. This has been a challenge as borrowing by our Members continues to be lower than in years past due to the economy. From 2010 to 2011, we declined in loan growth by approximately 6%. However, we are serving more Members than ever with home loans and have continued to grow this area of our portfolio, which now represents approximately 43% of our total loans. We are experiencing more overall loan growth than we did during the Great Recession and hope the trend continues into 2012 so we are able to provide more loans to Members.

Due to the Federal Reserve holding its key interest rate between 0% - 0.25% throughout the year and recently announcing it will maintain this until 2014, savings rates continue to be at all-time lows in the marketplace. However, LBS Financial surveys the market each week and continues to provide higher than market rates for our savings accounts and share certificates. Our financial strength has allowed us to continue to reward our savers throughout the year.

Our success continues to be your success and we look forward to another year where we can show you the benefits of your Membership. Thanks for your continued support and best wishes to your family and continued financial health in 2012!

Gene Allen, *Secretary/Treasurer*

Vision Statement

We will make a difference in the life of a Member or business partner – *with each and every interaction* – by building trust and showing compassion.

Mission Statement

Our mission is to provide quality services that meet the personal financial needs of our Members, consistent with a fiscally sound credit union cooperative.

Brand Values

- Member Focus
- Value
- Trust

Board of Directors

Our volunteer Board of Directors are elected by you, our valued Members, to ensure the Credit Union follows its mission statement and is driven by our vision of making a positive difference in our Members' lives. Each Director is chosen by the membership to serve a three-year term.



STANDING – LEFT TO RIGHT: Standing -- left to right: Pamela Fellman; Gene R. Allen (Secretary/Treasurer); Douglas M. Wood (Chairman); Luther W. Williams; Dr. Lionel G. Gatley; **SEATED – LEFT TO RIGHT:** Jean Davis; Eric David (Vice Chairman); Paul E. Honey, Jr. and Dr. John Fylpaa.

Supervisory Committee

Acting as a Member advocacy group, this strategic team oversees the security of Members' Share Savings accounts by reviewing annually required audits, verifying closed accounts and enforcing Board policies.



PICTURED LEFT TO RIGHT: David Conrad, Chairman; Joseph H. Apfel, Member; and Henry E. Dunn, Jr., Member

Credit Committee

These volunteers work in conjunction with the Credit Manager to ensure that all Members receive a fair, prompt credit worthiness review. They also act in an advisory capacity for LBS Financial loan policy.



PICTURED LEFT TO RIGHT: Russell B. Young, Chairman; Dr. William H. Marmion, Member; Joseph B. Riddick, Member



Financial Services Especially for You

Real Estate Loans

- Home Purchase Loans
- Fixed and Adjustable Rate Mortgages
- Primo Home Equity Line of Credit
- Home Equity Loans
- Home Loan Refinancing Packages

Consumer Loans

- Auto and Motorcycle
- Recreational Vehicle and Boat
- Personal or Signature
- Visa® Classic and Gold Credit Cards

Member Accounts

- Share Savings accounts, Share Certificates of Deposit
- Money Market account
- Summer Savings account for School Employees
- IRA (Individual Retirement Account)
- Checking account, Direct Deposit, Visa Debit Card

Convenient Access

- CU OnLine – Perform transactions online, view copies of checks and/or pay bills through our free Bill Payer feature at www.lbsfcu.org
- eStatements – Save paper and sign up to access your statements 24/7 through CU OnLine
- HomeTeller – Automated, voice-activated account access by phone
- ATM Network offers no surcharge at all LBS Financial and F&M Bank ATMs – plus access to more than 28,000 free CO-OP® Network ATMs
- Six branch offices: Bixby Knolls, Cerritos, East Long Beach, Lakewood, Los Altos and Newport Beach
- CU Service Centers – Access to more than 4,300 Shared Branches nationwide

Other Services

- Investment options
- Auto, home and life insurance
- Auto purchasing resources – AutoNation Direct, Enterprise Car Sales and the Surrogate Auto Shopper
- Access LBS Financial auto loans directly at your local dealership through CUDL
- Verified by Visa – For safe online shopping

Statement of Financial Condition as of December 31, 2011

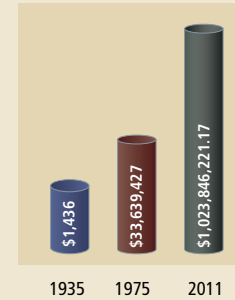
Assets

	2010	2011
Cash & Federal Reserve Bank Deposits	\$ 14,640,285.31	\$ 81,728,169.16
U.S. Government & Federal Agency Securities	83,308,257.85	128,134,461.41
Other Investments	185,184,093.31	142,179,375.70
Member Loans, Accrued Income & Other Assets	696,414,792.44	663,996,460.80
Furniture & Fixtures	2,541,750.97	1,904,160.97
Prepaid Expenses	530,744.73	504,016.11
Land & Buildings	5,624,933.21	5,399,577.02
Total Assets	\$988,244,857.82	\$1,023,846,221.17

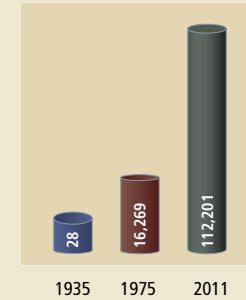
Liabilities & Equity

Shares to Members	\$ 874,999,793.14	\$ 896,006,194.20
Other Liabilities	4,537,177.78	3,450,712.43
Regular Reserve & Undivided Earnings	111,286,016.82	125,864,211.92
Accumulated Other Comprehensive Income and Defined Benefit Plan	(2,578,129.92)	(1,474,897.38)
Total Liabilities & Equity	\$988,244,857.82	\$1,023,846,221.17

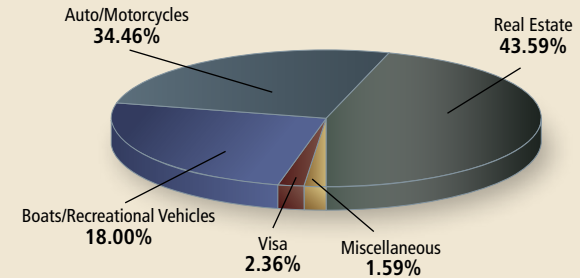
Asset Growth



Membership Growth



2011 Distribution of Loans



In Your Neighborhood

In addition to providing you with excellent financial value, Adding Value to the Neighborhood also means that LBS Financial is committed to serving the local community by volunteering, through charitable donations and overall community involvement. In 2011, the Credit Union and its employees were involved in local neighborhoods in the following ways:

LBS Financial Scholarships

Each year LBS Financial encourages local area high schools, adult schools and community colleges to participate in our scholarship program by recommending students for an award. This year 28 high school, two college and two adult school students were awarded scholarships. The Credit Union also awarded its annual \$1,000 scholarship to Member Alexander Tran. The \$1,000 scholarship may be applied for each year by any Member of the Credit Union in their senior year of high school or freshman-junior year of college.



FROM LEFT TO RIGHT: Sean Hardeman, Senior Vice President, Member Services, Alexander Tran, Scholarship Recipient and Jeff Napper, President and CEO.

Adopt-a-School Program

LBS Financial Credit Union launched its first annual Adopt-a-School program in 2011, working with Long Beach Unified, ABC Unified and Bellflower Unified School Districts to collect school supplies for the 2011-2012 school year. Stephens Middle School in Long Beach, the Children's Development Department in Cerritos

and several Bellflower elementary schools benefited from this year's supply drive.



FROM LEFT TO RIGHT: Diane Prince, Principal of Stephens Middle School, Melanie Guzman, student at Stephens Middle School and from LBS Financial: Heather Summers, Senior Vice President, Marketing, Rosalina Vergara, Marketing Manager and Christina Ford, Marketing Assistant.

Necktie Donation

LBS Financial donated over 100 men's neckties to the Career Development Center at CSULB in 2011. The neckties were donated by employees of the Credit Union as part of an internal tie exchange program to reinforce a professional appearance in the workplace.

Beach Clean-Ups



LBS Financial Credit Union employees, friends and family at the California Coastal Clean Up on Saturday, September 17, 2011.

The Credit Union began participating in the State of California's Adopt-a-Beach program in 2011 and adopted part of the Long Beach coastline. Credit Union employees volunteered four times during the year to meet on a Saturday morning to clean up the beach for up to three hours.

Lions Clubs International

During 2011, LBS Financial Credit Union Members and employees donated over 490 eyeglasses, 139 cell phones and 9 hearing aids to the Lions Clubs International for people in need in foreign countries.

Be the One Run



The LBS Financial Be the One Run Team

LBS Financial Credit Union employees participated in the Be the Match Foundation's Be the One Run in Long Beach on November 13, 2011. Credit Union employees, friends and family ran or walked to raise money for bone marrow transplants and raised over \$1,000.

Belmont Shore Christmas Parade



The LBS Financial marching unit.

More than sixty LBS Financial employees and their friends and family marched in the Belmont Shore Christmas Parade on December 3, 2011 on 2nd Street in Long Beach. The parade attracts over 50,000 people from all over Southern California each year. LBS Financial employees proudly volunteered to participate in this great family event.

Holiday Charity Donation

On December 14, 2011, during the Credit Union's Annual Holiday Breakfast, LBS Financial employees personally donated hundreds of toys, gift cards and infant basic care items to Children Today, a Long Beach organization that provides care for children from six weeks to six years of age. Credit Union employees also donated \$700 towards the charity.



Rosalina Vergara, LBS Financial Marketing Manager, Dora Jacildo, Executive Director of Children Today and Jeffrey Napper, LBS Financial President and CEO

Charitable Donations/Local Support

In 2011, LBS Financial supported the following local organizations through donations and support of their events: ABC Unified School District, American Red Cross, Aquarium of the Pacific, Bougness White Scholarship Foundation, Boy Scouts of America, California State University Long Beach, Catalyst Long Beach, Community Hospital of Long Beach, Comprehensive Child Development, Historical Society of Long Beach, Lakewood Elks Lodge, Long Beach Bar Association, Long Beach City College Foundation, Long Beach Century Club, Long Beach Day Nursery, Long Beach NAACP, Long Beach Unity Festival, Long Beach Education Foundation, Long Beach Unified School District, Soroptimist International, Teacher's Association of Long Beach, Todd Anglin Home for Children and the Wrigley Neighborhood Association.