

Members Matter Most



# 2025 ANNUAL REPORT

## BOARD CHAIRPERSON'S REPORT



Terry Manocchio  
CHAIRPERSON

In 2025, LAFCU continued its strong financial performance with \$1.261 billion in assets while maintaining our competitive edge as one of the highest-rated, service-oriented financial institutions in the Greater Los Angeles, California Metropolitan area. We remain financially well-capitalized with plenty of money to lend and a commitment to sound, responsible business practices. Our leadership and staff continued to meet the needs of our members with a high level of quality service and a commitment to offer the best products and services. Since 1936, we have valued people over profit and maintain a belief in community, because at LAFCU, Members Matter Most.

To accommodate our increasing membership, we made significant enhancements to our products and services by upgrading our Wealth Management Services program, offered new business services and accounts, and updated and streamlined our online membership and loan applications. We continued to offer competitive loan rates and specials, such as vehicle refinancing with 1% cash back, and high-rate share certificates. Our virtual assistant, Angie, began offering chats in conversational Spanish. We completed external renovations and improvements to our Glendale headquarters.

On behalf of the LAFCU Board of Directors, members of the Supervisory and Loan Appeal Committees, and credit union leadership and staff, I thank you for your business and ongoing support, and welcome your feedback. Thank you for making 2025 a successful year and we look forward to achieving continued financial success in 2026.





Terry Manocchio  
CHAIRPERSON



Joe Quan  
VICE CHAIRPERSON



Rito Cisneros  
TREASURER



Stan Horwitz  
SECRETARY



Roslyn Carter-Phillips  
DIRECTOR



David Ly  
DIRECTOR



Denise McGee  
DIRECTOR

## BOARD OF DIRECTORS

LAFCU supported the Great Los Angeles Metropolitan communities with donations to many worthy charities:

- Children’s Hospital Los Angeles
- City of Hope Cancer Hospital
- Glendale Police Officers Association
- Habitat for Humanity
- Los Angeles Regional Food Bank
- Midnight Mission
- Operation Gratitude
- Toys for Tots

Significant funds were also donated to Emergency Network Los Angeles (ENLA) to assist communities impacted by the January 2025 Altadena and Pacific Palisades wildfires.

Planned for 2026:

- 90th Anniversary celebration all year
- Refreshed look for our website
- Digital investing
- Faster payment options
- Youth Banking Accounts with Debit Card
- And more exciting products & services to be announced!



Sheldon Miller  
DIRECTOR



Abe Rasheed  
DIRECTOR

## PRESIDENT/CEO'S REPORT



Anthony Cuevas  
PRESIDENT/CEO

As LAFCU prepares to celebrate our 90th anniversary in 2026, we reflect on nearly a century of commitment to our members and the communities we serve. Since 1936, our mission has been simple yet powerful: to provide the best financial services as defined by our members, to maintain a high level of financial stability, and to foster employee growth and achievement. Today, that mission is stronger than ever.

### A Brief Look Back

LAFCU was founded during the Great Depression when a small group of dedicated individuals pooled their resources to help each other through challenging times. What started as a modest cooperative has grown into a trusted financial institution with over \$1.261 billion in assets that serves nearly 75,000 members. This spirit of collaboration and community remains at the heart of everything we do.

### The Benefits of Membership

When you join LAFCU, you're not just opening an account—you're becoming part of a member-owned financial cooperative. That means your needs come first. Here are just a few of the benefits you enjoy as a member:

- **Competitive Rates:** From vehicles to home loans, we offer lower rates and fewer fees compared to other financial institutions.
- **Savings & Free Checking Options:** Flexible accounts designed to fit your lifestyle, with tools to help you save more and spend smarter.
- **Access to Technology:** A highly rated, secure mobile app, online banking, and digital payment solutions that make managing your money easy and convenient.
- **Financial Education:** We provide resources and guidance to help you make informed decisions about your financial future.
- **Relationship Rewards Program:** Exclusive discounts, special offers, and programs that give back to you.

### Serving Members, Families, and Friends

Membership at LAFCU is available to your family, friends, and work colleagues. We believe financial well-being should be shared, so invite those you care about to experience the same benefits and personalized service you enjoy.

### 90 Years and Counting

Reaching this milestone in 2026 is a testament to the trust and loyalty of our members. Over the decades, we've grown and adapted to meet changing needs, but our core values remain the same: integrity, service, and community. As we look to the future, we're committed to continuing this tradition with innovative solutions and unwavering support.

### We're Here for You—Join Us Today

Whether you're buying your first home, looking for a better way to manage your finances, or planning for retirement, we can help. Visit [LAFCU.org](https://LAFCU.org) or a branch to open an account today. Together, let's build a brighter financial future.

## TREASURER'S REPORT

Los Angeles Federal Credit Union remains financially strong and secure with money to lend. As of December 31, 2025, members' shares (deposits) totaled \$1.115 billion, an increase of \$38 million compared to 2024. Our assets are \$1.261 billion, a \$14 million decrease compared to 2024.

In 2025, we processed 34,000 consumer loan applications resulting in:

- \$77 million approved vehicle loans.
- \$74 million approved real estate loans & refinances.
- \$27 million approved personal unsecured loans & other loans.

Our membership served remains strong at 74,730 in 2025.

Also in 2025, our Net Income had a gain of \$6.174 million, and our Net Worth (Undivided earnings plus Equity acquired in merger) increased by \$6.2 million, from \$137.1 million in 2024 to \$143.3 million 2025.

We remain well-capitalized thanks to you, the Board, and Credit Union management and staff. We continue to use sound and conservative business practices to help protect your money from the unpredictability of the economy, the stock market, and other factors.

Thank you for your ongoing membership, loyalty, and support through the years. It has been my pleasure to serve as the Treasurer of Los Angeles Federal Credit Union.



Rito Cisneros  
TREASURER





Abe Rasheed  
CHAIRPERSON



Stan Horowitz  
VICE CHAIRPERSON



Sheldon Miller  
MEMBER

## LOAN APPEALS COMMITTEE CHAIRPERSON'S REPORT

To ensure all members are treated fairly in the reconsideration of their declined loan applications, this Committee:

- Reviews and acts on loan applications and lines of credit member appeals based on prudent lending criteria designed to fulfill members' needs, while limiting risk of financial loss to the credit union.
- Meets at least twice per month if there are outstanding member loan appeal requests.
- Attends workshops and educational seminars, and reviews publications from credit union and banking trade associations to receive knowledge regarding loan programs, lending rules, and Federal regulations.



## SUPERVISORY COMMITTEE CHAIRPERSON'S REPORT

LAFCU's Supervisory Committee is the independent body that monitors LAFCU's Board of Directors and management as they implement and maintain control procedures to ensure strict adherence to Generally Accepted Accounting Principles (GAAP), the National Credit Union Administration (NCUA) regulations, and LAFCU's established bylaws. In doing so, the Committee carries out the following primary responsibilities:

- Examines the actions of the Board of Directors and other officials to ensure they are acting within their authority, and that they are carrying out their fiduciary duties and responsibilities in good faith and with care.
- Ensures that financial statements are accurate, that management practices protect the credit union's assets, and that those assets are safeguarded from errors, conflict of interest, self-dealing and fraud.
- Verifies members' accounts periodically and ensures that LAFCU files regulatory reports accurately and in a timely manner.
- Selects independent auditing firms to perform annual audits of financial statements and other audits.
- Reviews and ensures results of NCUA examinations are addressed and implemented properly.
- Oversees elections of the Board of Directors.
- Audits and monitors educational, travel and conference expenses for volunteer officials, management and staff. Ensures that financial statements are accurate, that management practices protect the credit union's assets, and that those assets are safeguarded from errors, conflict of interest, self-dealing and fraud.

The Supervisory Committee meets regularly with external auditors who are Certified Public Accountants and/or specialty audit firms to review results of audits and examinations completed throughout the year. The results are monitored to ensure the Board of Directors and management implement corrective actions properly and within a timely manner. I am pleased to report that based on the many audits conducted throughout 2025 and the National Credit Union Administration (NCUA) examination, LAFCU remains safe and sound.

Submitted herein are the Consolidated Financial Statements for the year 2025. A complete copy of the 2025 Annual Report, containing the audited consolidated financial statements, is available at [www.LAFCU.org](http://www.LAFCU.org). To obtain a condensed version of the annual report, please request a hard copy at any LAFCU branch. Or contact us and we will mail it to you.



Clifford Eng  
CHAIRPERSON



David Asem  
MEMBER



Lonney Ferguson  
MEMBER



Mark O'Brien  
MEMBER



## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Supervisory Committee  
Los Angeles Federal Credit Union and Subsidiary

### Opinion

We have audited the consolidated financial statements of Los Angeles Federal Credit Union and subsidiary, which comprise the consolidated statements of financial condition as of December 31, 2025 and 2024, the consolidated statements of income, comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Los Angeles Federal Credit Union and subsidiary as of December 31, 2025 and 2024, and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Los Angeles Federal Credit Union and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Los Angeles Federal Credit Union's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Los Angeles Federal Credit Union's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Los Angeles Federal Credit Union's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in black ink that reads "Turner, Warren, Huang & Conrad". The signature is written in a cursive, flowing style.

Burbank, California  
February 17, 2026

## CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31,	
	2025	2024
<b>ASSETS</b>		
Cash and cash equivalents	\$ 72,339,802	\$ 46,327,496
Investments:		
Debt securities available for sale, at fair value (amortized cost of \$262,430,105 and \$334,681,486)	231,847,142	290,079,368
Debt securities held to maturity, at amortized cost (fair value of \$5,236,299 and \$7,172,294)	5,473,393	7,645,984
Other	9,046,789	8,633,285
Loans receivable, net of allowance for credit losses of \$14,284,791 and \$14,314,088	885,381,808	868,912,687
Accrued interest receivable	4,132,146	3,733,722
Property and equipment, net	5,520,879	6,079,969
National Credit Union Share Insurance Fund (NCUSIF) deposit	10,326,796	10,161,489
Other assets	37,088,009	33,668,029
<b>Total assets</b>	<b>\$ 1,261,156,764</b>	<b>\$ 1,275,242,029</b>
 <b>LIABILITIES AND MEMBERS' EQUITY</b>		
Liabilities:		
Members' share accounts*	\$ 1,115,058,938	\$ 1,077,830,140
Borrowed funds	16,000,000	86,000,000
Accrued expenses and other liabilities	17,969,591	19,477,425
<b>Total liabilities</b>	<b>1,149,028,529</b>	<b>1,183,307,565</b>
Members' equity:**		
Undivided earnings	142,869,825	136,695,209
Equity acquired in merger	443,555	443,555
Accumulated other comprehensive loss	(31,185,145)	(45,204,300)
<b>Total members' equity</b>	<b>112,128,235</b>	<b>91,934,464</b>
<b>Total liabilities and members' equity</b>	<b>\$ 1,261,156,764</b>	<b>\$ 1,275,242,029</b>

\* Also known as "deposits"

\*\* "Undivided Earnings" plus "Equity acquired in merger" equals net worth. Net worth in 2025 = \$143.3 million vs 2024 at \$137.1 million.

See "Notes to Consolidated Financial Statements" in the full version of the Annual Report available at [www.LAFCU.org](http://www.LAFCU.org) or in a LAFCU branch.

## CONSOLIDATED STATEMENTS OF INCOME

	<u>December 31,</u>	
	<u>2025</u>	<u>2024</u>
<b>INTEREST INCOME</b>		
Loans receivable	\$ 49,518,601	\$ 46,604,697
Interest-bearing accounts and investments	8,316,627	7,406,089
Total interest income	<u>57,835,228</u>	<u>54,010,786</u>
<b>INTEREST EXPENSE</b>		
Members' share accounts	9,394,823	8,742,009
Borrowed funds	<u>2,178,030</u>	<u>5,475,471</u>
Total interest expense	<u>11,572,853</u>	<u>14,217,480</u>
<b>NET INTEREST INCOME</b>	46,262,375	39,793,306
<b>PROVISION FOR CREDIT LOSS EXPENSE</b>	<u>6,606,940</u>	<u>14,979,962</u>
<b>NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSS EXPENSE</b>	<u>39,655,435</u>	<u>24,813,344</u>
<b>NON-INTEREST INCOME</b>		
Deposit service charges and related fee income	3,372,790	3,310,918
Interchange income	3,991,603	3,939,429
Loss on sale of investments	(712,861)	-
Other income	<u>2,674,183</u>	<u>2,178,697</u>
Total non-interest income	<u>9,325,715</u>	<u>9,429,044</u>
<b>NON-INTEREST EXPENSE</b>		
Compensation and benefits	22,222,778	20,323,355
Occupancy	3,000,127	3,150,222
Operations	<u>17,583,629</u>	<u>17,591,217</u>
Total non-interest expense	<u>42,806,534</u>	<u>41,064,794</u>
<b>NET INCOME (LOSS)</b>	<u>\$ 6,174,616</u>	<u>\$ (6,822,406)</u>

See "Notes to Consolidated Financial Statements" in the full version of the Annual Report available at [www.LAFCU.org](http://www.LAFCU.org) or in a LAFCU branch.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	December 31,	
	2025	2024
<b>NET INCOME (LOSS)</b>	<u>\$ 6,174,616</u>	<u>\$ (6,822,406)</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
Unrealized gain on debt securities available for sale:		
Unrealized holding gain arising during the year	14,019,155	3,276,869
Post-retirement benefit plan:		
Adjustment to post-retirement benefit plan	<u>-</u>	<u>136,491</u>
Total other comprehensive income	<u>14,019,155</u>	<u>3,413,360</u>
<b>COMPREHENSIVE INCOME (LOSS)</b>	<u>\$ 20,193,771</u>	<u>\$ (3,409,046)</u>

## CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

	Undivided Earnings	Equity Acquired in Merger	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2023	\$ 143,517,615	\$ 443,555	\$ (48,617,660)	\$ 95,343,510
Comprehensive loss:				
Net loss	(6,822,406)	-	-	(6,822,406)
Other comprehensive income	-	-	3,413,360	<u>3,413,360</u>
Total comprehensive loss				<u>(3,409,046)</u>
Balance, December 31, 2024	136,695,209	443,555	(45,204,300)	91,934,464
Comprehensive income:				
Net income	6,174,616	-	-	6,174,616
Other comprehensive income	-	-	14,019,155	<u>14,019,155</u>
Total comprehensive income				<u>20,193,771</u>
Balance, December 31, 2025	<u>\$ 142,869,825</u>	<u>\$ 443,555</u>	<u>\$ (31,185,145)</u>	<u>\$ 112,128,235</u>

See "Notes to Consolidated Financial Statements" in the full version of the Annual Report available at [www.LAFUCU.org](http://www.LAFUCU.org) or in a LAFUCU branch.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	December 31,	
	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 6,174,616	\$ (6,822,406)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,231,788	1,171,816
Amortization of investment premiums and discounts, net	146,250	174,144
Amortization of deferred loan fees, net	262,102	173,597
Provision for credit loss expense	6,606,940	14,979,962
Amortization of operating right-of-use (ROU) assets	771,898	721,515
Repayment of operating lease liabilities	(773,744)	(741,203)
Loss on sale of debt securities available for sale	712,861	-
Net change in:		
Accrued interest receivable	(398,424)	(101,360)
NCUSIF deposit	(165,307)	469,039
Other assets	(1,210,617)	539,550
Accrued expenses and other liabilities	(3,715,351)	(1,768,144)
Net cash provided by operating activities	9,643,012	8,796,510
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of debt securities available for sale	(24,682,613)	(4,953,669)
Proceeds from sales, maturities and principal payments received on debt securities available for sale	96,092,939	45,232,285
Proceeds from maturities and principal payments on debt securities held to maturity	2,154,535	2,772,564
Net (increase) decrease in other investments	(413,504)	55,460
Net (increase) decrease in loans receivable	(23,338,163)	4,032,221
Purchases of property and equipment	(672,698)	(2,770,561)
Net cash provided by investing activities	49,140,496	44,368,300
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net decrease in borrowed funds	(70,000,000)	(17,500,000)
Net increase (decrease) in members' share accounts	37,228,798	(13,642,085)
Net cash used in financing activities	(32,771,202)	(31,142,085)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	26,012,306	22,022,725
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	46,327,496	24,304,771
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 72,339,802	\$ 46,327,496

(CONTINUED ON PAGE 13)

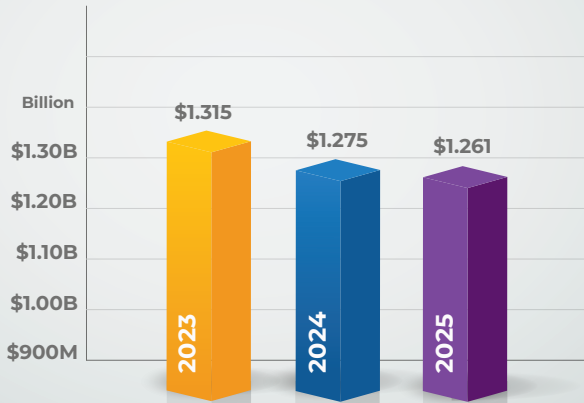
See "Notes to Consolidated Financial Statements" in the full version of the Annual Report available at [www.LAFCU.org](http://www.LAFCU.org) or in a LAFCU branch.

## CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

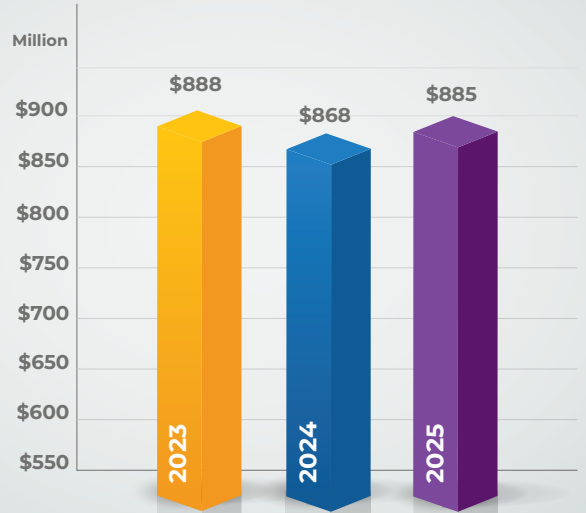
	December 31,	
	2025	2024
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION AND NONCASH ACTIVITIES</b>		
Dividends paid on members' share accounts	\$ 9,394,823	\$ 8,742,009
Interest paid on borrowed funds	4,925,902	4,094,393
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES</b>		
Operating ROU assets and lease liabilities arising during the year	\$ 2,981,261	\$ 753,616

For complete financials, including "Notes to Consolidated Financial Statements," see the 2025 Annual Report at [www.LAFCU.org](http://www.LAFCU.org) or in a LAFCU branch.

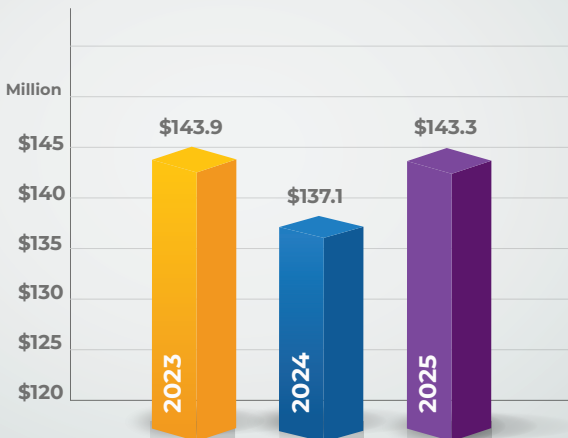
### TOTAL ASSETS



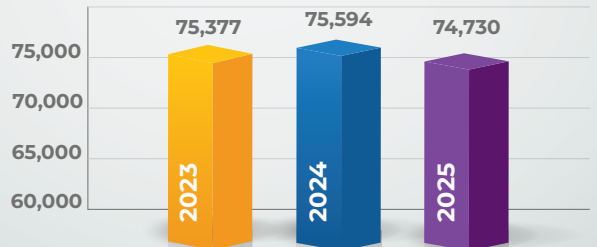
### NET LOANS



### MEMBERS' EQUITY / NET WORTH



### TOTAL MEMBERS



**LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business:** Los Angeles Federal Credit Union (the credit union) is a federally chartered credit union organized under the Federal Credit Union Act and administratively responsible to the National Credit Union Administration (NCUA). Participation in the credit union is limited to those individuals who qualify for membership. The field of membership is defined in the credit union's charter and bylaws. The credit union's primary source of revenue is from providing loans to its members.

**Use of Estimates:** The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the allowance for credit losses and the valuation of debt securities available for sale.

**Principles of Consolidation:** The accompanying consolidated financial statements include the accounts of the credit union and its wholly owned subsidiary, COLA Insurance Services Corporation (COLA). COLA is primarily engaged in providing insurance services to members through third-party relationships. Income from COLA is not considered significant to the consolidated financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation.

**Concentrations of Credit Risk:** The credit union and subsidiary provide a variety of financial services to their members, most of whom are current and former employees of the City of Los Angeles, and their families, and reside in Southern California. The credit union and subsidiary may be exposed to credit risk from a regional economic standpoint because a significant concentration of their borrowers work or reside in the State of California. The credit union continually monitors its operations, including the performance of its loan and investment portfolios. The credit union's policy for repossessing collateral is that when all other collection efforts have been exhausted, the credit union enforces its first lienholder status and repossesses the collateral. The credit union has full and complete access to repossessed collateral. Repossessed collateral normally consists of vehicles and residential real estate. A substantial portion of its members' ability to honor their loan agreements is dependent upon the economic stability of the various groups comprising the credit union's field of membership.

**Fair Value:** Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, provides a framework for measuring fair value that requires an entity to determine fair value based on the exit price in the principal market for the asset or liability being measured. Fair value is defined as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. The guidance also establishes a three-level fair value hierarchy that describes the inputs used to measure assets and liabilities.

- Level 1 asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities.
- Level 2 asset and liability fair values are based on observable inputs that include quoted market prices for similar assets or liabilities, quoted market prices that are not in an active market, or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 assets and liabilities are financial instruments whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation.

The credit union's assets and liabilities that are subject to fair value measurement and/or disclosure are summarized in Note 14.

**LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents:** For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand and in banks, amounts due from financial institutions, and all highly liquid debt instruments with original maturities of three months or less. Amounts due from financial institutions may, at times, exceed federally insured limits.

**Investments:** Debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and recorded at amortized cost. Debt securities that the credit union intends to hold for an indefinite period of time, but not necessarily to maturity, are classified as available for sale and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

Purchase premiums and discounts are recognized in interest income using the level-yield method over the terms of the securities. Premiums on callable debt securities are amortized to their earliest call date. Gains and losses on the sale of debt securities are recorded on the trade date, and the costs of securities sold are determined using the specific-identification method.

Other investments are classified separately, stated at cost and evaluated by management for impairment.

**Allowance for Credit Losses on Debt Securities Available for Sale:** Management evaluates expected credit losses on debt securities available for sale on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. Management first identifies securities in an unrealized loss position and determines whether the credit union intends to sell or whether it is unlikely that the credit union will be required to sell a security before recovery of its amortized cost basis. If either requirement regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available for sale that do not meet the aforementioned criteria, the credit union evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists and the present value of cash flows expected to be collected is less than the amortized cost basis, an allowance for credit losses will be recorded for the credit loss, limited by the amount the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Changes in the allowance for credit losses are recorded as provision for credit loss expense or reversal of credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of a security available for sale is confirmed or when either of the criteria regarding intent or requirement to sell is met. Since substantially all of the credit union's debt securities available for sale are guaranteed or issued by the US government or government-sponsored agency of high credit quality, management believes credit risk is minimal and accordingly has not recorded an allowance for credit loss as of December 31, 2025 and 2024. Accrued interest receivable on debt securities available for sale totaled \$527,213 and \$718,257 as of December 31, 2025 and 2024, respectively, and is excluded from the estimate of credit losses.

**Allowance for Credit Losses on Debt Securities Held to Maturity:** Management measures expected credit losses on debt securities held to maturity on a collective basis for securities with similar risk characteristics. For securities that do not share similar risk characteristics, the losses are estimated individually. Any credit loss is recorded through the allowance for credit losses on debt securities held to maturity and deducted from the amortized cost basis of the security, reflecting the amount the credit union expects to collect. Management evaluates impairment where there has been a decline in the fair value below the amortized cost basis of a security to determine whether there is a credit loss associated with the decline. Management considers the nature of the collateral, default rates, delinquency rates, interest rate changes since purchase and the issuer's financial performance.

**LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Since substantially all of the credit union's debt securities held to maturity are guaranteed or issued by the US government or government-sponsored agency of high credit quality, management believes credit risk is minimal and accordingly has not recorded an allowance for credit loss as of December 31, 2025 and 2024. Accrued interest receivable on debt securities held to maturity totaled \$13,428 and \$18,847 as of December 31, 2025 and 2024, respectively, and is excluded from the estimate of credit losses.

**Federal Home Loan Bank (FHLB) Stock:** The credit union, as a member of the FHLB system, is required to maintain an investment in capital stock of the FHLB in an amount equal to the greater of 1% of its membership asset value, subject to a cap of \$15 million, or 2.7% of advances from the FHLB. The stock is bought from and sold to the FHLB based on its \$100 par value. There is no ready market for the FHLB stock; therefore, it has no quoted market value and is reported on the consolidated statements of financial condition at cost.

**Loans Receivable, Net:** The credit union grants mortgage and consumer loans to members. The ability of the members to honor their contracts is dependent upon the real estate and general economic conditions in the credit union's market area. In addition, the credit union has purchased participations in loans issued by other credit unions to commercial and faith-based organizations. All of these loan participations were purchased without recourse and are secured by real property. The originating credit union performs all servicing functions on these loans.

Loans that the credit union has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are stated at their outstanding unpaid principal balances, less an allowance for credit losses and net of deferred origination fees and costs. Interest income on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding.

The accrual of interest income on loans is discontinued at the time a loan is 90 days past due, unless the credit is well secured and in the process of collection. Loans are typically charged off no later than 180 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if the collection of principal and interest is considered doubtful. Accrued interest receivable on loans totaled \$3,448,410 and \$2,849,660 as of December 31, 2025 and 2024, respectively. The credit union elected not to measure an allowance for credit losses for accrued interest receivable, since charge-offs typically occur in a timely manner.

All interest accrued but not collected for loans placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method until qualifying for return to accrual. Loans are returned to accrual status when all of the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using the interest method over the contractual life of the loans, adjusted for estimated prepayments based on the credit union's historical prepayment experience.

**Allowance for Credit Losses on Loans Receivable:** The credit union maintains an allowance for credit losses to absorb losses inherent in the loan portfolio. The allowance is based on ongoing monthly assessments of the probable estimated losses inherent in the loan portfolio. The allowance is increased by the provision for credit loss expense and decreased by charge-offs when management believes the uncollectibility of a loan is confirmed. Subsequent recoveries, if any, are credited to the allowance.

**LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The allowance for credit losses represents management's estimate of lifetime credit losses inherent in loans receivable as of the consolidated statements of financial condition date. The allowance for credit losses is measured on a collective basis when similar risk characteristics exist. Management divides the portfolio into three segments: commercial real estate, residential real estate and consumer. The credit union further divides the portfolio segments into classes. The classes within the residential real estate portfolio segment are first mortgage and home equity line of credit (HELOC) and other mortgage. The classes within the consumer portfolio segment are automobile, credit card and other consumer.

Models consisting of quantitative and qualitative components are designed for each pool to develop the expected credit loss estimates. The loan portfolio is divided into three segments and eight loan pools based on loan types that share similar risk characteristics to calculate quantitative loss factors for each pool. The credit union uses the weighted average remaining maturity methodology to measure expected credit losses. Additional adjustments based on forecasted data and qualitative and environmental factors may be added at the discretion of management.

Loans that do not share similar risk characteristics are evaluated on an individual basis. The credit union evaluates loans for expected credit losses on an individual basis if, based on current information and events, it is probable that the credit union will be unable to collect all amounts due according to the original contractual terms of the loan agreement. The current expected loss of an individually evaluated loan is measured using the fair value of the underlying collateral if the loan is collateral dependent or the present value of expected future cash flows if the loan is not collateral dependent. When a loan is deemed uncollectible, the credit union's policy is to promptly charge off the estimated credit losses.

**Allowance for Unfunded Credit Commitments:** ASC 326 requires the establishment of a reserve for unfunded credit commitments over the contractual period in which the credit union is exposed to credit risk via a present contractual obligation to extend credit, unless that obligation is unconditionally cancelable by the credit union. The credit union considers establishing an allowance for unfunded credit commitments relating to unsecured lines of credit, HELOCs and credit cards. Within the period of credit exposure, the estimate of credit losses will consider both the likelihood that funding will occur and an estimate of the expected credit losses on the commitments that are expected to fund over their estimated lives. The unfunded credit exposure is calculated using utilization assumptions based on the credit union's historical utilization experience in related portfolio segments. The allowance for unfunded credit commitments is included in accrued expenses and other liabilities on the consolidated statements of financial condition. Changes to the allowance for unfunded credit commitments are included in the provision for credit loss expense on the consolidated statements of income. As of December 31, 2025 and 2024, there was no allowance required for unfunded credit commitments.

**Transfers of Financial Assets:** Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to have been surrendered when (1) the assets have been isolated from the credit union, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the credit union does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

**Property and Equipment:** Land is carried at cost. Building, leasehold improvements, and furniture and equipment are carried at cost, less accumulated depreciation and amortization. Building and furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases.

**LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impairment of Long-Lived Assets:** Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets.

**Foreclosed and Repossessed Assets:** Assets acquired through or in lieu of loan foreclosure are held for sale and initially recorded at fair value less estimated selling costs at the date of foreclosure, establishing a new cost basis. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for credit losses. Subsequent to foreclosure, valuations are performed periodically by management and the assets are carried at the lower of the carrying amount or fair value less costs to sell. Revenues and expenses associated with foreclosed assets, as well as the changes in the corresponding valuation allowance, are included in non-interest expense in the consolidated statements of income.

**NCUSIF Deposit:** The deposit in the NCUSIF is in accordance with NCUA regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to 1% of its insured shares. The NCUSIF is a revolving fund in the Treasury of the United States under the management of the NCUA. The deposit will be refunded to the credit union if its insurance coverage is terminated, if it converts insurance coverage to another source, or if the operations of the fund are transferred from the NCUA Board.

**NCUSIF Insurance Premiums:** The credit union is required to pay an annual premium based on a percentage of its total insured shares as declared by the NCUA Board, unless the payment is waived or reduced by the NCUA Board.

**Members' Share Accounts:** Members' share accounts are the savings deposit accounts of the owners of the credit union. Share ownership entitles the members to vote in the annual elections of the Board of Directors and on other corporate matters. Irrespective of the amount of shares owned, no member has more than one vote. Members' share accounts are subordinated to all other liabilities of the credit union upon liquidation. Dividends on members' share accounts are based on available earnings at the end of a dividend period and are not guaranteed by the credit union. Dividend rates are set by the credit union's Board of Directors.

**Advertising Costs:** Advertising costs are expensed as incurred.

**Income Taxes:** The credit union is exempt from federal and California taxes on income. The credit union's wholly owned subsidiary, however, is subject to federal and state income taxes. The operations of the subsidiary resulted in immaterial income taxes for the years ended December 31, 2025 and 2024. FASB ASC 740-10-65, *Income Taxes*, provides guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the consolidated financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the tax returns to determine whether the tax positions are "more likely than not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions deemed to not meet the more-likely-than-not threshold should be recorded as a tax expense and liability in the current year. For the years ended December 31, 2025 and 2024, management has determined that the credit union has no material uncertain tax positions, and accordingly, the credit union has not recorded a liability for the payment of interest or penalties. State taxes, if applicable, are paid on income earned by the credit union in California. The credit union is subject to and pays all state and city taxes on goods and services purchased by the credit union.

**Comprehensive Income:** Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on debt securities available for sale, and the post-retirement benefit plan, are reported as a separate component of the members' equity section on the consolidated statements of financial condition.

**LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Accumulated other comprehensive loss consists of the following as of December 31, 2025 and 2024:

	2025	2024
Net unrealized loss on debt securities available for sale	\$ (30,582,963)	\$ (44,602,118)
Post-retirement benefit plan adjustment	(602,182)	(602,182)
	<u>\$ (31,185,145)</u>	<u>\$ (45,204,300)</u>

**Subsequent Events:** Subsequent events have been evaluated through February 17, 2026, the date the consolidated financial statements were available to be issued.

**NOTE 2 – INVESTMENTS**

The amortized cost and fair value of debt securities available for sale are as follows:

	2025	Amortized Cost	Gross Unrealized		Fair Value
			Gains	Losses	
Federal agency securities		\$ 71,282,743	\$ -	\$ (2,387,687)	\$ 68,895,056
Mortgage-backed securities		91,668,964	58,313	(13,067,989)	78,659,288
Collateralized mortgage obligations		99,478,398	63,691	(15,249,291)	84,292,798
		<u>\$ 262,430,105</u>	<u>\$ 122,004</u>	<u>\$ (30,704,967)</u>	<u>\$ 231,847,142</u>
	2024				
Federal agency securities		\$ 147,040,398	\$ 780	\$ (7,154,976)	\$ 139,886,202
Mortgage-backed securities		85,692,082	835	(17,631,560)	68,061,357
Collateralized mortgage obligations		101,949,006	-	(19,817,197)	82,131,809
		<u>\$ 334,681,486</u>	<u>\$ 1,615</u>	<u>\$ (44,603,733)</u>	<u>\$ 290,079,368</u>

The amortized cost and fair value of debt securities held to maturity are as follows:

	2025	Amortized Cost	Gross Unrealized		Fair Value
			Gains	Losses	
Mortgage-backed securities		\$ 2,575,377	\$ 227	\$ (92,742)	\$ 2,482,862
Collateralized mortgage obligations		2,898,016	-	(144,579)	2,753,437
		<u>\$ 5,473,393</u>	<u>\$ 227</u>	<u>\$ (237,321)</u>	<u>\$ 5,236,299</u>
	2024				
Mortgage-backed securities		\$ 3,574,823	\$ -	\$ (200,702)	\$ 3,374,121
Collateralized mortgage obligations		4,071,161	-	(272,988)	3,798,173
		<u>\$ 7,645,984</u>	<u>\$ -</u>	<u>\$ (473,690)</u>	<u>\$ 7,172,294</u>

**LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

**NOTE 2 – INVESTMENTS (CONTINUED)**

Gross unrealized losses and fair value by length of time that the individual securities have been in a continuous unrealized loss position are as follows:

2025	Fair Value	Continuous Unrealized Losses Existing for		Total Unrealized Losses
		Less Than 12 Months	12 Months or Longer	
Debt securities available for sale:				
Federal agency securities	\$ 68,895,056	\$ -	\$ (2,387,687)	\$ (2,387,687)
Mortgage-backed securities	67,269,519	(10,825)	(13,057,163)	(13,067,988)
Collateralized mortgage obligations	75,309,851	(1,439)	(15,247,853)	(15,249,292)
	<u>\$ 211,474,426</u>	<u>\$ (12,264)</u>	<u>\$ (30,692,703)</u>	<u>\$ (30,704,967)</u>
Debt securities held to maturity:				
Mortgage-backed securities	\$ 2,308,224	\$ -	\$ (92,742)	\$ (92,742)
Collateralized mortgage obligations	2,753,437	-	(144,579)	(144,579)
	<u>\$ 5,061,661</u>	<u>\$ -</u>	<u>\$ (237,321)</u>	<u>\$ (237,321)</u>
<u>2024</u>				
Debt securities available for sale:				
Federal agency securities	\$ 137,885,422	\$ -	\$ (7,154,976)	\$ (7,154,976)
Mortgage-backed securities	67,887,659	-	(17,631,560)	(17,631,560)
Collateralized mortgage obligations	82,131,809	(3,180)	(19,814,017)	(19,817,197)
	<u>\$ 287,904,890</u>	<u>\$ (3,180)</u>	<u>\$ (44,600,553)</u>	<u>\$ (44,603,733)</u>
Debt securities held to maturity:				
Mortgage-backed securities	\$ 3,374,121	\$ (16)	\$ (200,686)	\$ (200,702)
Collateralized mortgage obligations	3,798,173	-	(272,988)	(272,988)
	<u>\$ 7,172,294</u>	<u>\$ (16)</u>	<u>\$ (473,674)</u>	<u>\$ (473,690)</u>

As of December 31, 2025, three investments had been in a continuous unrealized loss position for less than 12 months and 391 investments had been in a continuous unrealized loss position for 12 months or longer. The unrealized losses associated with these investments are considered temporary, as the credit union has both the intent and ability to hold these investments for a period of time sufficient to allow for any anticipated recovery in fair value.

Management assesses securities that are in an unrealized loss position to determine whether the decline in fair value below the amortized cost basis resulted from credit losses or other factors. The unrealized losses presented in the table above were primarily attributable to yield curve movements and widened spreads. Since these securities are guaranteed or sponsored by agencies of the US government, the credit union expects to receive all contractual interest payments on time and believes the risk of credit loss on these securities is remote. The credit union does not have the intent to sell these securities, and it is unlikely that the credit union will be required to sell the securities before their anticipated recovery; therefore, there is no allowance for credit losses on debt securities available for sale and debt securities held to maturity as of December 31, 2025 and 2024.

**LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

**NOTE 2 – INVESTMENTS (CONTINUED)**

Other investments consist of the following:

	<u>2025</u>	<u>2024</u>
FHLB stock	\$ 6,804,300	\$ 6,804,300
Perpetual contributed capital in a corporate federal credit union	527,517	527,517
Credit union service organizations	<u>1,714,972</u>	<u>1,301,468</u>
	<u>\$ 9,046,789</u>	<u>\$ 8,633,285</u>

The perpetual capital account is an uninsured capital account and is redeemed only if called by the corporate credit union.

The amortized cost and fair value of investments by contractual maturity as of December 31, 2025 are shown below.

<u>Maturity</u>	<u>Debt Securities Available for Sale</u>		<u>Debt Securities Held to Maturity</u>		<u>Other</u>
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	
No contractual maturity	\$ -	\$ -	\$ -	\$ -	\$9,046,789
Less than one year	36,387,681	34,673,403	-	-	-
One to five years	3,050,000	2,798,359	-	-	-
Five to ten years	<u>31,845,062</u>	<u>31,423,294</u>	<u>-</u>	<u>-</u>	<u>-</u>
	71,282,743	68,895,056	-	-	9,046,789
Mortgage-backed securities and collateralized mortgage obligations	<u>191,147,362</u>	<u>162,952,086</u>	<u>5,473,393</u>	<u>5,236,299</u>	<u>-</u>
	<u>\$ 262,430,105</u>	<u>\$ 231,847,142</u>	<u>\$ 5,473,393</u>	<u>\$ 5,236,299</u>	<u>\$ 9,046,789</u>

Because borrowers may prepay obligations with or without call or prepayment penalties, the expected maturities of mortgage-backed securities and collateralized mortgage obligations may differ from the contractual maturities and are therefore classified separately with no specific maturity date.

**LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

**NOTE 3 – LOANS RECEIVABLE, NET**

Total loans outstanding by portfolio segment and class of loan are as follows:

	<u>2025</u>	<u>2024</u>
Commercial real estate	\$ 22,874,904	\$ 23,402,340
Residential real estate:		
First mortgage	126,699,012	276,016,437
HELOC and other mortgage	<u>318,462,080</u>	<u>126,144,606</u>
	<u>445,161,092</u>	<u>402,161,043</u>
Consumer:		
Automobile	171,425,979	178,661,789
Credit card	42,361,413	41,387,761
Other consumer	<u>218,252,693</u>	<u>239,373,390</u>
	<u>432,040,085</u>	<u>459,422,940</u>
Total loans	900,076,081	884,986,323
Net deferred loan origination fees	(992,180)	(1,442,011)
Premiums (discounts) on participation loans	582,698	(317,537)
Allowance for credit losses	<u>(14,284,791)</u>	<u>(14,314,088)</u>
Total loans receivable, net	<u>\$ 885,381,808</u>	<u>\$ 868,912,687</u>

The activity in the allowance for credit losses on loans by portfolio segment is as follows:

<u>2025</u>	<u>Commercial Real Estate</u>	<u>Residential Real Estate</u>	<u>Consumer</u>	<u>Total</u>
Allowance for credit losses:				
Beginning balance	\$ -	\$ 121,602	\$ 14,192,486	\$ 14,314,088
Charge-offs	-	(9,479)	(8,484,338)	(8,493,817)
Provision for credit loss expense	97,885	1,584,117	4,924,938	6,606,940
Recoveries	-	<u>34,346</u>	<u>1,823,234</u>	<u>1,857,580</u>
Ending balance	<u>\$ 97,885</u>	<u>\$ 1,730,586</u>	<u>\$ 12,456,320</u>	<u>\$ 14,284,791</u>
<u>2024</u>				
Allowance for credit losses:				
Beginning balance	\$ 28,878	\$ 219,982	\$ 7,025,714	\$ 7,274,574
Charge-offs	-	(25,688)	(9,182,058)	(9,207,746)
Provision for (reversal of) credit loss expense	(28,878)	(72,692)	15,081,532	14,979,962
Recoveries	-	-	<u>1,267,298</u>	<u>1,267,298</u>
Ending balance	<u>\$ -</u>	<u>\$ 121,602</u>	<u>\$ 14,192,486</u>	<u>\$ 14,314,088</u>

**LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

**NOTE 3 – LOANS RECEIVABLE, NET (CONTINUED)**

**Commercial Credit Quality Indicators:** The credit union assesses the credit quality of its commercial loans with a ten-grade risk rating system whereby a higher grade represents a higher level of credit risk. The eight-grade risk rating system can generally be classified into the following categories: pass or watch, special mention, substandard, doubtful and loss. The risk ratings reflect the relative strength of the sources of repayment.

Pass or watch loans are generally considered to have sufficient sources of repayment in order to repay the loan in full in accordance with all terms and conditions. These borrowers may have some credit risk that requires monitoring, but full repayment is expected. Special mention loans are considered to have potential weaknesses that warrant close attention by management. Special mention is considered a transitory grade, and generally, the credit union has not had a loan remain categorized as special mention for longer than six months. If any potential weaknesses are resolved, the loan is upgraded to a pass or watch grade. If negative trends in the borrower's financial status or other information is presented indicating that the repayment sources may become inadequate, the loan is downgraded to substandard. Substandard loans are considered to have well-defined weaknesses that jeopardize the full and timely repayment of the loan.

Substandard loans have a distinct possibility of loss if the deficiencies are not corrected. Additionally, when management has assessed a potential for loss but a distinct possibility of loss is not recognizable, the loan is still classified as substandard. Doubtful loans have insufficient sources of repayment and a high probability of loss. Loss loans are considered to be uncollectible and are therefore charged off. These internal risk ratings are reviewed continuously and adjusted for changes in borrower status and the likelihood of loan repayment.

As of December 31, 2025 and 2024, commercial real estate loans were categorized as pass loans according to the credit union's internal risk rating system.

**Other Credit Quality Indicators:** The credit union assesses the credit quality of its commercial real estate, residential real estate and consumer loans by payment activity, nonaccrual and past due status.

**Payment Activity:** The following table summarizes the credit union's performing and nonperforming loans by class. Nonperforming loans are defined as loans that are 60 days or more past due.

	Payment Activity		
	Performing	Nonperforming	Total
2025			
Commercial real estate	\$ 22,874,904	\$ -	\$ 22,874,904
First mortgage	125,458,655	1,240,357	126,699,012
HELOC and other mortgage	317,026,607	1,435,473	318,462,080
Automobile	170,135,541	1,290,438	171,425,979
Credit card	41,892,819	468,594	42,361,413
Other consumer	216,312,359	1,940,334	218,252,693
	<u>\$ 893,700,884</u>	<u>\$ 6,375,197</u>	<u>\$ 900,076,081</u>
2024			
Commercial real estate	\$ 23,402,340	\$ -	\$ 23,402,340
First mortgage	274,282,607	1,733,830	276,016,437
HELOC and other mortgage	124,867,634	1,276,972	126,144,606
Automobile	176,867,042	1,794,747	178,661,789
Credit card	41,036,415	351,346	41,387,761
Other consumer	238,122,801	1,250,589	239,373,390
	<u>\$ 878,578,839</u>	<u>\$ 6,407,484</u>	<u>\$ 884,986,323</u>

**LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

**NOTE 3 – LOANS RECEIVABLE, NET (CONTINUED)**

**Nonaccrual and Past Due Loans:** The following tables summarize the credit union's nonaccrual loans by class.

2025	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans
First mortgage	\$ -	\$ 231,772	\$ 231,772
HELOC and other mortgage	-	1,331,839	1,331,839
Automobile	-	538,697	538,697
Credit card	-	305,155	305,155
Other consumer	-	1,319,764	1,319,764
	<u>\$ -</u>	<u>\$ 3,727,227</u>	<u>\$ 3,727,227</u>
<u>2024</u>			
First mortgage	\$ -	\$ 1,119,340	\$ 1,119,340
HELOC and other mortgage	-	1,131,850	1,131,850
Automobile	-	900,267	900,267
Credit card	-	180,365	180,365
Other consumer	-	634,925	634,925
	<u>\$ -</u>	<u>\$ 3,966,747</u>	<u>\$ 3,966,747</u>

The following table presents an analysis of past due loans by class:

2025	Current	30–59 Days Past Due	60–89 Days Past Due	90–179 Days Past Due	180–359 Days Past Due	360 Days or More Past Due	Total
Commercial real estate	\$ 22,874,904	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,874,904
First mortgage	121,409,207	4,049,447	1,008,585	231,772	-	-	126,699,012
HELOC and other mortgage	316,196,383	830,224	103,635	978,757	249,991	103,091	318,462,080
Automobile	167,335,892	2,799,648	751,741	538,697	-	-	171,425,979
Credit card	41,580,786	312,033	163,439	305,155	-	-	42,361,413
Other consumer	214,889,902	1,422,457	620,570	1,231,963	87,801	-	218,252,693
	<u>\$ 884,287,074</u>	<u>\$ 9,413,810</u>	<u>\$ 2,647,970</u>	<u>\$ 3,286,344</u>	<u>\$ 337,792</u>	<u>\$ 103,091</u>	<u>\$ 900,076,081</u>
<u>2024</u>							
Commercial real estate	\$ 23,402,340	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,402,340
First mortgage	271,464,901	2,817,706	614,490	1,119,340	-	-	276,016,437
HELOC and other mortgage	124,571,369	296,265	145,122	872,918	258,932	-	126,144,606
Automobile	174,538,761	2,328,281	894,480	896,459	3,808	-	178,661,789
Credit card	40,792,000	244,415	170,981	178,793	164	1,408	41,387,761
Other consumer	237,347,525	775,276	615,664	630,427	4,498	-	239,373,390
	<u>\$ 872,116,896</u>	<u>\$ 6,461,943</u>	<u>\$ 2,440,737</u>	<u>\$ 3,697,937</u>	<u>\$ 267,402</u>	<u>\$ 1,408</u>	<u>\$ 884,986,323</u>

There were no loans 90 days or more past due and still accruing interest as of December 31, 2025 and 2024.

**Modifications Made to Borrowers Experiencing Financial Difficulty:** There were no modifications made to borrowers experiencing financial difficulty during the years ended December 31, 2025 and 2024.

**LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

**NOTE 3 – LOANS RECEIVABLE, NET (CONTINUED)**

**Collateral-Dependent Loans:** The credit union designates individually evaluated loans on nonaccrual status as collateral-dependent loans, as well as other loans that management designates as having higher risk. Collateral-dependent loans are loans for which the repayment is expected to be provided substantially through the sale of the collateral, as the borrower is experiencing financial difficulty. These loans do not share common risk characteristics and are not included within the collectively evaluated loans for determining the allowance for credit losses. Under the Current Expected Credit Losses methodology, for collateral-dependent loans, the credit union has adopted the practical expedient to measure the allowance for credit losses based on the fair value of the collateral. The allowance for credit losses is calculated on an individual loan basis based on the shortfall between the fair value of the loan's collateral, which is adjusted for selling costs, and amortized cost. If the fair value of the collateral exceeds the amortized cost, no allowance is required.

The following table presents the amortized cost of collateral-dependent loans:

	2025	2024
First mortgage	\$ 217,222	\$ 1,119,340
HELOC and other mortgage	1,346,389	1,131,852
Automobile	556,530	913,282
Other consumer	818,790	138,840
	<u>\$ 2,938,931</u>	<u>\$ 3,303,314</u>

**NOTE 4 – PROPERTY AND EQUIPMENT**

The composition of property and equipment is summarized as follows:

	2025	2024
Land	\$ 1,120,600	\$ 1,120,600
Building	9,751,932	9,528,556
Furniture and equipment	10,665,281	10,265,729
Leasehold improvements	3,953,398	3,921,342
	25,491,211	24,836,227
Accumulated depreciation and amortization	<u>(19,970,332)</u>	<u>(18,756,258)</u>
	<u>\$ 5,520,879</u>	<u>\$ 6,079,969</u>

Depreciation and amortization expense amounted to \$1,231,788 and \$1,171,816 for the years ended December 31, 2025 and 2024, respectively.

**NOTE 5 – MEMBERS' SHARE ACCOUNTS**

A summary of members' share accounts by type is as follows:

	2025	2024
Regular share	\$ 488,151,282	\$ 487,791,829
Share draft	273,144,527	254,583,863
Money market	100,711,733	101,594,938
Individual retirement share (IRA)	58,584	58,379
Share and IRA certificates	252,992,812	233,801,131
	<u>\$ 1,115,058,938</u>	<u>\$ 1,077,830,140</u>

**LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

**NOTE 5 – MEMBERS’ SHARE ACCOUNTS (CONTINUED)**

The aggregate amounts of time deposits in denominations that met or exceeded the NCUSIF insurance limit totaled approximately \$54,651,000 and \$38,359,000 as of December 31, 2025 and 2024, respectively.

A summary of share, nonmember and individual retirement account certificates by maturity is as follows:

<u>Years Ending December 31,</u>	
2026	\$ 223,024,912
2027	14,200,126
2028	8,002,589
2029	4,021,211
2030	<u>3,743,974</u>
	<u>\$ 252,992,812</u>

**NOTE 6 – BORROWED FUNDS AND LINES OF CREDIT**

The credit union has an Advances and Security Agreement with the FHLB of San Francisco, pledging residential first lien mortgage loans with a carrying value of approximately \$268,411,000 and \$262,114,000 as of December 31, 2025 and 2024, respectively, under a blanket lien. The total available borrowing capacity was approximately \$150,549,000 and \$153,730,000 as of December 31, 2025 and 2024, respectively. As of December 31, 2025, the credit union had \$16,000,000 in outstanding borrowings at an interest rate of 4.72%, maturing in July 2026. As of December 31, 2024, the credit union had \$26,000,000 in outstanding borrowings at interest rates ranging from 4.72% to 5.21%, maturing through July 2026.

The credit union also has a secured borrowing arrangement through the FRB discount window. The borrowing capacity is determined as a percentage of pledged collateral. As of December 31, 2025 and 2024, the line was secured by pledged loans receivable with a collateral value of approximately \$150,077,000 and \$6,222,000, respectively, and there were no outstanding borrowings.

The credit union accessed the FRB’s Bank Term Funding Program (BTFP), which was established by the FRB to provide liquidity to eligible borrowers, taking as collateral types of securities. The program offers advances up to one year in length at the one-year overnight index swap rate as of the day advances are made plus 10 basis points. Interest rates are fixed for the term of the advances. Pledged collateral is valued at par value. As of December 31, 2024, the credit union pledged investment securities with par values totaling \$200,438,000 as collateral for this program; outstanding borrowings totaled \$60,000,000 at an interest rate of 4.76% and matured on January 15, 2025.

The credit union also has performance and advantage line-of-credit arrangements with a corporate credit union, pledging a portion of its investment portfolio and substantially all other assets of the credit union, and the total borrowing capacity was approximately \$80,000,000. There were no outstanding balances as of December 31, 2025 and 2024.

**NOTE 7 – REVENUE FROM CONTRACTS WITH MEMBERS**

The credit union’s services that fall within the scope of ASC 606, *Revenue from Contracts with Customers*, are presented in non-interest income and recognized as revenue as the credit union satisfies its obligations to the members.

**LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

**NOTE 7 – REVENUE FROM CONTRACTS WITH MEMBERS (CONTINUED)**

The following table presents revenue from contracts with members within the scope of ASC 606 for the years ended December 31, 2025 and 2024:

	2025	2024
Deposit service charges and related fee income	\$ 3,372,790	\$ 3,310,918
Interchange income	3,991,603	3,939,429
	\$ 7,364,393	\$ 7,250,347

**Deposit Service Charges and Related Fee Income:** The credit union earns fees from its members for transaction-based account maintenance and overdraft services. The deposit account services include ongoing account maintenance, as well as certain services such as automated teller machine (ATM) usage, wire transfer services, non-sufficient fund (NSF) fees and other deposit related fees. Transaction-based fees such as ATM fees, NSF fees, ACH fees and other deposit related fees are recognized at the time the transaction is executed, as that is the point in time the credit union fulfills the member's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of the month, representing the period over which the credit union satisfies the performance obligation. Payments for these service charges are received immediately through a direct charge to members' accounts.

**Interchange Income:** The credit union earns interchange fees from debit and credit cardholder transactions conducted through the Visa payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. Revenue is recognized when the net profit is determined by the payment networks at the end of each day.

**NOTE 8 – LEASE COMMITMENTS**

The credit union leases branch office facilities under non-cancelable operating agreements expiring in various years through 2035. The credit union's lease terms may include options to extend the leases. The credit union's measurement of the ROU assets and lease liabilities includes payments associated with the options to extend certain leases when it is reasonably certain that the credit union will exercise these options. During the year ended December 31, 2025, the credit union recognized \$2,981,261 in ROU assets and lease liabilities, as it exercised lease options on existing leases.

The ROU assets and lease liabilities are recognized based on the present value of minimum lease payments over the lease term. As most of the credit union's leases do not provide an implicit rate, the credit union used a collateralized borrowing rate for the estimated duration of the lease to determine the present value of future payments. The amortization of the lease assets and the accretion of lease liabilities are reported together as fixed lease expense and included in net occupancy expense under non-interest expense. The fixed lease expense is recognized on a straight-line basis over the remaining life of the lease.

The following table presents information related to leases as of December 31, 2025 and 2024:

	2025	2024
Supplemental consolidated statements of financial condition information:		
ROU assets (included in other assets)	\$ 4,422,506	\$ 2,213,143
Lease liabilities (included in other liabilities)	\$ 4,648,057	\$ 2,440,540
Weighted average remaining lease term (years)	6.24	3.09
Weighted average discount rate	1.1%	1.1%
Operating lease cost	\$ 1,120,693	\$ 1,125,647

**LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

**NOTE 8 – LEASE COMMITMENTS (CONTINUED)**

The future lease payments of the lease liabilities as of December 31, 2025 are as follows:

<u>Years Ending December 31,</u>	
2026	\$ 762,341
2027	772,455
2028	798,216
2029	824,855
2030	599,923
Thereafter	<u>1,081,824</u>
Total minimum lease payments	4,839,614
Less imputed interest	<u>191,557</u>
Total operating lease liabilities	<u>\$ 4,648,057</u>

**NOTE 9 – OFF-BALANCE-SHEET ACTIVITIES**

The credit union is party to conditional commitments to lend funds in the normal course of business to meet the financing needs of its members. These commitments represent financial instruments to extend credit, which include lines of credit, credit cards and home equity lines that involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated financial statements. The credit union's exposure to credit loss is represented by the contractual notional amount of these instruments. The credit union uses the same credit policies in making commitments as it does for the loans recorded in the consolidated financial statements.

Outstanding loan commitments as of December 31, 2025 and 2024 totaled approximately \$1,476,000 and \$1,544,000, respectively.

The following financial instruments were outstanding whose contract amounts represent credit risk:

	<u>2025</u>	<u>2024</u>
HELOC	\$ 116,509,003	\$ 100,200,518
Credit card	147,773,005	147,218,731
Unsecured lines of credit	14,322,098	14,574,879
Overdraft protection program	<u>4,163,862</u>	<u>4,294,368</u>
	<u>\$ 282,767,968</u>	<u>\$ 266,288,496</u>

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The credit union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the credit union upon extension of credit, is based on management's credit evaluation of the member. Collateral held generally consists of real estate.

**NOTE 10 – COMMITMENTS AND CONTINGENT LIABILITIES**

The credit union is party to various legal actions normally associated with the collection of loans and other business activities of financial institutions, the aggregate effect of which, in the opinion of management and legal counsel, would not be material to the consolidated financial condition of the credit union.

**LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

**NOTE 11 – CONCENTRATION OF CREDIT RISK**

The credit union maintains its cash in financial institutions and certificate of deposit accounts, which, at times, may exceed federally insured limits. The credit union had balances in excess of federally insured limits totaling approximately \$8,554,000 and \$8,526,000 as of December 31, 2025 and 2024, respectively. The credit union has not experienced any losses on such accounts.

**NOTE 12 – EMPLOYEE BENEFITS**

**401(k) Plan:** Employees are eligible upon hire to participate in the employee deferral portion of the plan and eligible to participate in the employer matching portion of the plan after completing six months of service. Employees may contribute 1% to 20% of their annual compensation to the plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service (IRS). The plan requires the credit union to match 100% of the first 6% of employee contributions. The credit union's matching contributions for the years ended December 31, 2025 and 2024 were approximately \$816,000 and \$770,000, respectively, and are included in non-interest expense on the consolidated statements of income.

**Profit Sharing Plan:** Employees are eligible to participate after completing one year of service. The annual contribution is discretionary as determined by the Board of Directors. Plan forfeitures are used to reduce the credit union's annual contribution. The liability for the profit sharing plan, which is included in accrued liabilities, was approximately \$400,000 as of December 31, 2025. There were no contributions for the year ended December 31, 2024.

**Deferred Compensation Plan:** The credit union has a nonqualified deferred compensation plan with fixed benefits and a supplemental term life benefit for certain executives under IRS Section 457(f). The credit union expensed approximately \$120,000 during the year ended December 31, 2024. The liability for the deferred compensation, which is included in accrued liabilities, was approximately \$240,000 as of December 31, 2024. The deferred compensation was paid out in January 2025 in the amount of \$252,555.

**Loan Regime Split-Dollar Plan:** The credit union offers split-dollar agreements to certain members of the executive management team. Under the arrangements, the credit union makes a loan to the executive equal to the life insurance policy premiums. The executive assigns the insurance policy to the credit union as collateral for repaying the premiums and borrows from the policy to supplement retirement income. The credit union is repaid from the policy's death proceeds. Interest accrues on the loans at the applicable federal rate at the time of the advance. Any principal or interest not repaid under the arrangements is taxable to the executive. For nonrecourse loans, the credit union records a loan receivable at the lesser of the cash surrender value of the policy or the loan amount plus accrued interest. As of December 31, 2025 and 2024, there was one full recourse loan accruing interest at an interest rate of 1.01% recorded at the loan amount plus accrued interest of \$726,527 and \$719,263, respectively. As of December 31, 2025 and 2024, the total balance of nonrecourse and recourse loans to the executives under these arrangements was approximately \$8,770,000 and \$8,700,000 respectively. The loans are secured by life insurance policies issued by Minnesota Life Insurance Company and TruStage Financial Group, Inc., currently rated A+ (Superior) and A (Excellent), respectively, by AM Best, an insurance industry rating agency, and represent a concentration of credit risk, with the maximum loss equal to the net loan amounts.

**Death-Benefit-Only Plan:** The credit union established death-benefit-only plans for key members of the credit union's management team to encourage long-term employment. The credit union acquires life insurance policies for participants of the plan with the credit union being the owner and beneficiary of the plan. The credit union will pay the death benefit equal to the total annual base salary in effect to the participant's beneficiary upon the participant's death. As of December 31, 2025 and 2024, the total value of the policies purchased was approximately \$17,667,000 and \$17,040,000, respectively. Life insurance policies are issued by Minnesota Life Insurance Company, Midland National Life Insurance Company, Penn Mutual Life Insurance Company and Pacific Life Insurance Company, all currently rated A+ (Superior) by AM Best, an insurance industry rating agency.

**LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

**NOTE 12 – EMPLOYEE BENEFITS (CONTINUED)**

On July 1, 2021, the credit union established a charitable donation account trust for the purpose of making charitable contributions and donations to qualified charities. Funds held in the trust have been invested in a death-benefit-only plan for a member of the executive management team. As of December 31, 2025 and 2024, the total value of the policy was approximately \$2,258,000 and \$2,176,000, respectively. The life insurance policy was issued by TruStage Financial Group, Inc., currently rated A (Excellent) by AM Best, an insurance industry rating agency.

**Post-Retirement Benefit Plan:** The credit union provides a post-retirement health benefits plan to certain current and former employees. The plan was closed to new participants as of January 1, 2009. The credit union recognizes the funding status of the post-retirement benefit plan in its consolidated statements of financial condition, with a corresponding adjustment to accumulated other comprehensive income. Net unrecognized actuarial losses and unrecognized prior service costs are recognized as net periodic pension plan cost pursuant to the credit union's historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that are not recognized as net periodic pension cost in the same period will be recognized as a component of other comprehensive income. Those amounts will be subsequently recognized as a component of net periodic pension plan cost on the same basis as the amounts recognized in accumulated other comprehensive income.

The following tables set forth information regarding the post-retirement benefit plan as of and for the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Net periodic benefit cost	\$ 140,569	\$ 142,050
Total recognized in other comprehensive income	<u>52,632</u>	<u>(136,491)</u>
Total amount recognized in net periodic benefit cost and other comprehensive income	<u>\$ 193,201</u>	<u>\$ 5,559</u>
Employer contributions	<u>\$ 261,747</u>	<u>\$ 244,352</u>
Benefits paid	<u>\$ 261,747</u>	<u>\$ 244,352</u>
Assumptions for net periodic benefit cost:		
Discount rate	5.00%	5.30%
Medical trend rate	6.0% in 2026 grading to 3.7%	6.1% in 2025 grading to 3.7%

Benefit payments are expected to be paid as follows:

<u>Years Ending December 31,</u>	
2026	\$ 231,816
2027	235,944
2028	189,885
2029	184,091
2030	182,099
Five years thereafter	<u>887,434</u>
	<u>\$ 1,911,269</u>

**LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

**NOTE 13 – RELATED PARTY TRANSACTIONS**

In the normal course of business, the credit union extends credit to Directors, Supervisory Committee members and Executive Officers. The aggregate loans to related parties as of December 31, 2025 and 2024 totaled \$5,131,000 and \$4,891,000, respectively.

**NOTE 14 – FAIR VALUE**

Fair values of securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or on discounted cash flow models using the expected payment characteristics of the underlying mortgage instruments.

Fair values of assets measured on a recurring basis are summarized as follows:

	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>2025</u>				
Debt securities available for sale:				
Federal agency securities	\$ 68,895,056	\$ -	\$ 68,895,056	\$ -
Mortgage-backed securities	78,659,288	-	78,659,288	-
Collateralized mortgage obligations	84,292,798	-	84,292,798	-
	<u>\$ 231,847,142</u>	<u>\$ -</u>	<u>\$ 231,847,142</u>	<u>\$ -</u>
<u>2024</u>				
Debt securities available for sale:				
Federal agency securities	\$ 139,886,202	\$ -	\$ 139,886,202	\$ -
Mortgage-backed securities	68,061,357	-	68,061,357	-
Collateralized mortgage obligations	82,131,809	-	82,131,809	-
	<u>\$ 290,079,368</u>	<u>\$ -</u>	<u>\$ 290,079,368</u>	<u>\$ -</u>

Fair values of assets measured on a nonrecurring basis are as follows:

	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>2025</u>				
Collateral-dependent loans	\$ 1,892,685	\$ -	\$ -	\$ 1,892,685
<u>2024</u>				
Collateral-dependent loans	\$ 2,515,449	\$ -	\$ -	\$ 2,515,449

Collateral-dependent loans are measured using the fair value of the collateral less estimated costs to sell.

**LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

**NOTE 15 – REGULATORY CAPITAL**

The credit union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet the minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the credit union's consolidated financial statements. The credit union has opted into the complex credit union leverage ratio (CCULR) framework for complex credit unions. The credit union is considered complex based on its quarter-end assets, which exceeded \$500 million as reflected in its most recent Call Report as of December 31, 2025 and 2024. Under capital adequacy guidelines and the CCULR regulatory framework, the credit union must meet specific CCULR guidelines that involve quantitative measures of the credit union's assets and liabilities as calculated under US GAAP as well as various qualifying criteria.

Quantitative measures established by regulation to ensure capital adequacy require the credit union to maintain minimum amounts and ratios. The credit union's CCULR as of December 31, 2025 and 2024 was 11.36% and 10.75%, respectively. Management believes, as of December 31, 2025 and 2024, that the credit union meets all capital adequacy requirements to which it is subject.

As of December 31, 2025, the most recent call reporting period, the NCUA categorized the credit union as "well capitalized" under the CCULR regulatory framework. To be categorized as well capitalized, the credit union must maintain a minimum CCULR of 9% of assets. There are no conditions or events since that notification which management believes have changed the credit union's category.

The credit union's actual capital amounts and ratios are as follows:

	Actual		Well Capitalized Requirement under CCULR	
	Amount	Ratio	Amount	Ratio
2025				
Net worth	\$ 143,313,380	11.36%	\$ 113,504,109	9.00%
2024				
Net worth	\$ 137,138,764	10.75%	\$ 114,771,783	9.00%

◆◆◆

# VISION STATEMENT

To be our members' first choice for financial services.

# MISSION STATEMENT

To provide the best financial services as defined by our members, to maintain a high level of financial stability, and to foster employee growth and achievement.

## BRANCHES

Cerritos  
11306 South St.

Culver City  
3850 Culver Center

El Monte  
9204 Flair Dr., Suite A

Gardena  
1352 W. Artesia Blvd.

Glendale  
300 S. Glendale Ave.

LA Mall (Downtown Los Angeles)  
201 N. Los Angeles St., Space 201

Montebello  
1435 N. Montebello Blvd.

Van Nuys  
8008 Van Nuys Blvd.

## LOS ANGELES FEDERAL CREDIT UNION

P.O. Box 53032  
Los Angeles, CA 90053-0032

WEBSITE  
[www.LAFCU.org](http://www.LAFCU.org)

TELEPHONE  
(877) MY LAFCU (695-2328)

EMAIL  
[contactcenter@LAFCU.org](mailto:contactcenter@LAFCU.org)