



Chevron Federal
Credit Union

2022

Annual Report

REACHING NEW
HEIGHTS WITH
OUR MEMBERS

TO OUR Members

A MESSAGE FROM



David Andrade
Board Chair
chairperson@chevronfcu.org



Jon Berlin
President and CEO
president@chevronfcu.org

The Credit Union has three primary priorities: deliver an excellent experience and exceptional value for members, maintain a strong financial position, and ensure operational soundness. By that scorecard, we are pleased to report that 2022 was another successful year.

This is particularly noteworthy considering the significant shift in the macroeconomic environment. After years of historically low interest rates, the Federal Reserve increased its target Federal Funds rate by 4.25 percentage points in 2022, the most severe interest rate shock in four decades.

What did this mean for the Credit Union and our membership?

First and foremost, it was a great year for members to save money with the Credit Union. We increased our Money Market Savings and Certificate rates throughout the year to levels well above those provided by most banks and credit unions.

The higher deposit rates offered to our members increased the Credit Union's cost of funds. Core

earnings, while still healthy, decreased to \$15 million in 2022 (\$3 million lower than in 2021).

The Credit Union's hedging strategy includes the ongoing purchase of interest rate derivatives to mitigate the impact of interest rate changes. The effectiveness of this strategy was demonstrated in 2022, as the value of our derivatives increased \$71 million.

Increasing interest rates also provided headwinds for deposit growth. As a result, our 2022 deposit growth of 2.4% was lower than usual, as was the case across the industry. Central to our strategy for attracting and retaining deposits, we continue to proactively identify opportunities for members to increase the value of their savings with the Credit Union.

On the other side of the balance sheet, we had an excellent year growing loans by 17.9%. Both our mortgage and consumer lending portfolios had double-digit growth, and we provided more than \$300 million in new financing for residential solar panel installations. We also launched a new program of lending through a network of recreational vehicle dealers.

Amidst this growth, the member experience rose to new heights, with record satisfaction

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scores in our ongoing branch, mortgage, and consumer lending surveys. Additionally, we continue to demonstrate safety and soundness throughout the business, with low loan losses (0.10% of loan balances) and continued vigilance in mitigating cybersecurity and transaction risk.

Operational enhancements represented a key priority in 2022, with full resolution of the issues that surfaced during the Digital Banking launch in December 2021. We conducted an in-depth evaluation of the root causes of shortcomings in the launch and identified key learnings that are being applied throughout our operations. In addition, we made investments in the Call Center that resulted in record satisfaction scores in the second half of the year. Other noteworthy operational improvements included investments in our Consumer Lending division and the continued

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development of business metrics that enable staff to quickly identify areas that require attention.

The Credit Union's people represent our most important asset, and we continue to thrive and build a competitive advantage by offering flexibility in geography and remote work. At the same time, in 2022, we opened our new headquarters in Concord, CA, which is optimized to support effective in-person and virtual collaborations in the hybrid work environment. Regardless of location, we continue to build a strong culture and ensure alignment through high levels of transparency and communication.

Looking ahead, we are excited about our many areas of focus in 2023, including several upgraded branches with new locations, improved money movement capabilities, Digital Banking enhancements, and a streamlined experience for obtaining consumer loans.

Regardless of what the economic environment brings in 2023, we remain focused, as always, on delivering an outstanding experience for all members while building on our strong track record of financial and operational excellence.

2022 In Review

At the heart of all the Credit Union does is a rock-solid commitment to providing our members with the opportunities, guidance, and support they need to be financially successful. Here we share a few updates on how we reached new heights with our members in 2022.

NEXT-LEVEL, INVITING Branch Environments

When members walk into our physical locations, they will likely hear a warm “Welcome” from branch staff – but the branch environment is in many ways our first greeting. A branch’s layout impacts the overall member experience, and we want it to be as welcoming as possible. That’s why in 2022, we took two of our branches to the next level.

For the Spectrum Pleasant Hill Branch, that meant removing a row of video teller machines and converting the branch into a more welcoming open floor plan.

“With the Pleasant Hill refresh, we wanted a more modern feel and better face-to-face interactions

for our members,” says Max Seetho, who leads the Credit Union’s branch network. “We also added new technology, such as cash recyclers that ensure accuracy and efficiency for our members’ cash transactions.”

The Credit Union also worked with Chevron Corp. to build a branch from the ground up in Pascagoula, MS, to replace the existing location. The new building features an open concept and special hospitality touches. Traditional teller lines were replaced with desks and chairs to provide a more intimate experience, with consultation rooms available for more extended member interactions.

“Our members love the openness of the new branch,”



PASCAGOULA BRANCH GRAND OPENING EVENT

says Janna Roddy, manager of the Pascagoula branch. “They talk about how inviting and modern it is, the convenient location, and how we designed the space with special touches that reflect our connection with the Chevron facility.”

“

I love the new Pascagoula Branch. If you walk in that door, you’ll hear, ‘Hey, Mr. Wayne’ or ‘Come on in.’ I have an excellent rapport with everyone. I won’t allow myself to even think about some other institution. No sir. That’s my family.



Wayne V. | MEMBER IN ALABAMA

ELEVATED Member Experiences

Throughout the Credit Union – from Consumer Lending to the Call Center, Home Lending, and beyond – changes were made in 2022 to improve our members' experiences with us.

The Consumer Lending department was reorganized for increased efficiency, and additional Lending Specialists were added to the team to give members greater access to subject matter experts. To make loan decisions faster, the approval process was simplified, and more components were automated.

"Member feedback from our lending surveys helped us identify what members valued most and where we could enhance our offerings," explains Katherine Keilman, who

leads the Consumer Lending team.

Combined with our competitive rates and personalized service, these enhancements helped Consumer Lending achieve a high level of member satisfaction, with 88% of survey respondents reporting an excellent experience.

In our Call Center, operational improvements also led to higher-level service.

The Call Center took on many challenges in 2022, staying nimble to quickly and seamlessly provide top-notch, individualized member experiences.

New support roles, increased capacity, and enhanced processes resulted in members' service and feedback consistently improving throughout the year and achieving record levels in the second half of the year.

"Our Call Center represents the frontline of our business. We get to know the pulse of our members and are committed to going above and beyond to help them achieve their financial goals," says Kirk Jurgens, who leads the Call Center. "Our commitment to providing one-of-a-kind service will propel us to record-setting results in 2023."

Our Mortgage Relationship Manager was great! She clearly explained the process and made sure everything was covered. She followed up on questions and proactively addressed any outstanding items. We were impressed with the level of detail combined with such prompt service. (This was not our first mortgage, but it was the best experience we've had yet.)

Amy D.

MEMBER IN LOUISIANA



HIGH COMMITMENT TO Providing Value

A core commitment the Credit Union makes to our members is providing value through personalized service, great rates, and low fees. We want to help our members' money go further, which was especially important during the volatile market conditions of 2022.

As the year started and historically low mortgage rates began to creep up, the Credit Union continuously provided mortgage rates below the national average. A spring promotion even eliminated all lender fees.

"At the Credit Union, our focus is giving back to our members," explains Rob Vignato, who leads the Mortgage Lending team. "By offering loans with lower

rates, our members have more spending money to meet obligations and a chance to build their savings."

2022 became an excellent year to build savings as the Federal Reserve raised short-term rates multiple times to slow inflation. Over the course of the year, the Credit Union repeatedly raised its rates on Money Market Savings and Share Certificate accounts to stay at the top of the market.

A special 25-Month STEP UP Share Certificate offered early in the year proved especially beneficial for many members as it allowed them a one-time chance to step up to the current day's rate and take advantage of the rising rate environment.

I have been banking with the Credit Union for over 25 years. I have had three mortgages with them, and I don't even know how many car loans. Initially, I would go to banks to compare rates, finally coming to understand that because the Credit Union is member-owned, no bank can provide as low a rate on loans. I highly recommend you try the Credit Union experience. You will never go back to commercial banking.

Charles C.
MEMBER IN TEXAS



MEMBER FOCUS

Buoyed Through Life

Fred Sanchez is enjoying retirement, spending sunny days on his cabin cruiser. While his 38 years as a production manager at Chevron Corp. led him to this well-deserved retirement, he also has some “good friends” at Chevron Federal Credit Union who helped him craft this ideal second act.

A member for 26 years, he considers Branch Manager Carmen Hernandez a very good friend who, like the manager before her, has helped him secure the right loan or savings account right when he needed it, always with “the best rates around.”



Carmen Hernandez
BRANCH MANAGER

He’s leaned on the Credit Union through life’s major stages, from buying a home for his growing family to saving for retirement to fulfilling a dream of owning a boat. Over the years, he has secured a home loan and a boat loan, as well as personal loans. He’s also referred friends and family.

“There have been times when I wanted to help friends and family out, and I knew Carmen and the Credit Union were just a phone call away,” he says. “They’re good people, always willing to help.”

Fred really enjoys visiting the branch for the people. He can update Carmen on his six grandkids while talking through his account status. Buoyed by the Credit Union’s lifelong commitment to members like him, Fred can confidently coast on his cabin cruiser, relax, and take in the sun.



Fred Sanchez
MEMBER IN CALIFORNIA

Deposits

Up 2.4% in deposits

Members of the Credit Union enjoyed top-of-market rates. As the Federal Reserve began raising short-term interest rates in early 2022, we decided to quickly increase rates to give you, the owners of the Credit Union, strong returns on your deposits. Our deposit balances increased by \$94 million to over \$3.9 billion in 2022.



Loans

Up 17.9% in loans

As market rates moved higher in 2022, the Credit Union positioned its loan rates competitively, which resulted in strong loan growth across all categories in 2022. Real estate loan balances grew by 12.6% (\$353 million increase), while our solar loan balances grew by 63.5% (\$221 million increase).



Earnings

\$86 million in net income (**\$15 million** in core net income)

Core net income was \$15 million in 2022, down from \$18 million in 2021. A key driver was higher loan loss reserves due to growth in our solar loan portfolio.

The Credit Union uses derivatives to hedge interest rate risk arising from taking short-term deposits and making long-term fixed-rate mortgages. The value of these derivatives fluctuates year-to-year but evens out over time, as the value of the derivatives ultimately returns to zero at maturity. The market value of our derivatives improved by \$71 million due to increases in market interest rates.



Financial Soundness

13.7% capital ratio

Our financial soundness continues to be outstanding. Our 2022 net capital ratio of 13.7% was well above the 7% regulatory threshold for “well-capitalized” as defined by our regulators. The Credit Union’s asset quality, as measured by delinquency and charge-off ratios, also continues to be very strong.

Member Satisfaction

91% of branch survey respondents reported an **excellent experience**

We strive to provide outstanding service to you. The percent of members who rated us “excellent” was 91% for branches, 83% for mortgage lending, and 88% for consumer lending. These were record results.



Assets

Among top 1.6% of credit unions by asset size*

We continue to be one of the largest credit unions in the country. Total assets grew to more than \$4.8 billion.

*Source: Callahan and Associates data as of December 31, 2022.



2022 Audited Financial Statements in Thousands of Dollars

Statement of Financial Condition (at December 31)

ASSETS	2022	2021
Mortgages	\$ 3,162,687	\$ 2,809,915
Other Secured Loans	798,299	552,921
Unsecured Loans	64,602	52,266
Total Loans	4,025,588	3,415,102
Less: Allowance for Loan Losses	(23,154)	(17,502)
Net Loans	4,002,434	3,397,600
Cash and Investments	724,949	1,010,256
Other Assets	127,731	57,621
Total Assets	\$ 4,855,114	\$ 4,465,477
LIABILITIES AND MEMBERS' EQUITY		
Savings	\$ 423,505	\$ 490,388
Checking	412,817	435,490
Share Certificates	958,527	823,168
Money Market	2,153,119	2,105,199
Total Members' Balances	3,947,968	3,854,245
Other Liabilities	249,396	34,231
Total Liabilities	4,197,364	3,888,476
Reserves and Undivided Earnings	664,698	578,659
Unrealized Gain (Loss) on Securities	(6,948)	(1,658)
Total Members' Equity	657,750	577,001
Total Liabilities and Members' Equity	\$ 4,855,114	\$ 4,465,477

Statement of Operations (for year ending December 31)

INCOME	2022	2021
Interest on Loans	\$ 127,820	\$ 112,970
Income from Investments	5,185	3,543
Total Interest Income	133,005	116,513
COST OF FUNDS		
Dividends Paid to Members	(42,035)	(23,464)
Interest Rate Risk Hedging Expense	(3,015)	(10,949)
Total Cost of Funds	(45,050)	(34,413)
Net Interest Income	87,955	82,100
Provision for Loan Losses	(9,590)	(4,385)
Non-Interest Income	8,949	8,557
Non-Interest Expense	(71,994)	(68,147)
Core Net Income	15,320	18,125
Change in Fair Value of Derivatives	70,719	21,850
Net Income	\$ 86,039	\$ 39,975

A complete copy of our audited financial statements is available upon request.

SUPERVISORY Committee Report

In accordance with the Federal Credit Union Act, the Supervisory Committee is responsible for ensuring that the Credit Union safeguards its assets, maintains adequate systems of internal control, and reports accurate financial information.

We meet regularly with Internal Audit and our external auditors to monitor and evaluate internal controls and to ensure that your assets are safeguarded.

The Committee also monitors the performance of Credit Union employees and volunteers and the policies established by the Board of Directors to

ensure their compliance. The Committee engages independent firms to perform the annual financial, 401k, IT, and other necessary audits.

Members can confidentially report perceived Credit Union violations of rules and policies, unethical behaviors, and other complaints directly to a dedicated post office box established for the Supervisory Committee:

**Chevron Federal Credit Union
Supervisory Committee
P.O. Box 445
Concord, CA 94522**

Based on the results of internal audits and external reviews for the year 2022, we conclude that Chevron Federal Credit Union has adequate internal controls and is financially sound.

Ron Susa
Chair, Supervisory Committee



Celebrating the
most important part
of the Credit Union
— our members!

“

I appreciate the support that the Credit Union provides to me and my family. It's both the little things and the not so little things that make the difference.

Ronald C. | MEMBER IN TEXAS



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