



Chevron Federal Credit Union



2019 Annual Report



Better when you **belong.**



# To Our Members

The closing of a decade in 2019 prompts reflection on what a remarkable span the past ten years have represented for the Credit Union and our members.

Some of the evolution over the past decade has been in plain view. At the start of 2010, the Credit Union had assets of \$1.4 billion; by the end of 2019 we had grown to more than \$3.5 billion. We increased the number of branches from 16 at the beginning of the decade to 20 at the end, including additions in Walnut Creek, California; Bountiful, Utah; Midland, Texas; and Belle Chasse, Louisiana. We teamed up with Spectrum Credit Union to create a powerful combined entity.

Beyond the branches, we made it much easier to access the Credit Union through the introduction of personal teller machines (PTMs), expansion of call center availability, and state-of-the-art digital banking.

Other changes have been behind the scenes, paving the way for a significantly improved member experience.

We've invested heavily in technology and processes to increase the rigor and discipline of our service manage-

**Our singular reason for being is — and always will be — to deliver an exceptional experience and value for members.**

ment. We've developed a continuous improvement culture, supported by a sophisticated member survey program, so we can learn from our mistakes and do better for members. We've also developed strong information security capabilities to keep members' data safe.

Then there are some things that have not changed — and never will. Our singular reason for being is — and always will be — to deliver an exceptional experience and value for members.

That means personalized service that makes members feel valued and appreciated, excellent rates and minimal fees, and a level of trust that inspires confidence and peace of mind. These old-fashioned values will never go out of style for the Credit Union.

The decade ended on a high point, with a strong financial position, a focus on personalized member experience, and continued operational soundness.

In this Annual Report, you'll read highlights of the many exciting new capabilities introduced in 2019 — from a new branch to new ATMs and enhanced digital banking services.

And you'll see evidence of our dedication to providing the best possible member experience.

The past decade was one of great successes, and none of them would have been possible without your support. Please know that we deeply appreciate your membership and are grateful for the opportunities to serve you.

We are better because you belong. Together, we can make the next decade even more amazing for the Credit Union.

Sincerely,

**Bill Clutter**  
Board Chair  
chairperson@chevronfcu.org



**Jon Berlin**  
President and CEO  
president@chevronfcu.org



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# 2019 in Review

## A Better Digital Experience

True to our long-range strategic plan, the Credit Union focused heavily on pursuing technology improvements to benefit our members in 2019, beginning with an upgrade to our website.

The new site features a cleaner and more modern look as well as improved navigation. Its “responsive design” allows visitors to easily view it across platforms including computers, tablets, and mobile phones.

For new members, we reworked our digital membership applica-

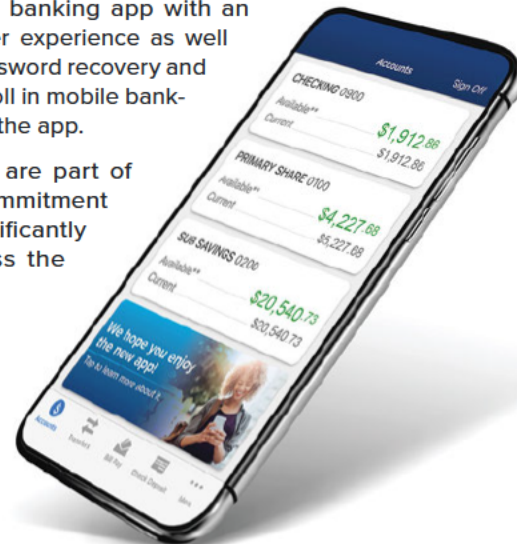
**We successfully launched our new mobile banking app with an entirely new user experience.**

tion to simplify and expedite the process for joining the Credit Union. In addition to providing a more modern user experience, it allows applicants to pre-fill information by scanning the bar code of their driver's licenses.

Additional enhancements including electronic signatures to allow qualifying memberships to be opened immediately and a simplified process for digital banking registration are planned for 2020. New account funding options, including debit and credit cards, are also on the roadmap.

In October, we successfully launched our new mobile banking app with an entirely new user experience as well as enhanced password recovery and the ability to enroll in mobile banking directly from the app.

These changes are part of our ongoing commitment to make it significantly easier to access the Credit Union.



## Member Spotlight

You guys inform me and help me make the right decisions.

If I need any questions answered about a financial product, I can call and get a great answer and information about how it can benefit me.

You have the members' interest at heart.

- Brenda A.  
Member in Texas





# Member Spotlight



“

You walk into a branch and it's like, 'Hey Norm, how the heck are ya? What can we do for you today?' and it's like I've gone to a relative's house, so to speak.

There are times I like to just stop by in town and say hi.

- Norm H.  
Member in California

## 2019 in Review

### Enhancing Our Branches

One of our most exciting events in 2019 was the opening of a new branch at Chevron Corporation's Oak Point Plant in Belle Chasse, Louisiana.

Located outside the facility's security gate, the new one-person branch now serves employees of the plant as well as members in the surrounding area. If you are ever nearby, please stop by to say hello.

For two existing branches, makeovers were in order. Our overall goal for branches is to create open and engaging spaces that also allow members to consult one-on-one with staff about their financial goals.

Our San Ramon, California, branch was remodeled to open up the lobby space. Desks with partitions were carefully arranged so more private member consultations can occur.

**Our overall goal for branches is to create open and engaging spaces that also allow members to consult one-on-one with staff about their financial goals.**

Our Spectrum Galleria branch in Houston, Texas, was converted to an all-desk open space with no teller line. This allows us to provide more personalized service while protecting members' privacy.



**Oak Point Branch, Belle Chasse, LA**

Left to right: Rick Kapur, SVP Retail Delivery, Katie Core, Branch Manager, Lenore Muntz, AVP Regional Manager, Chandra Britt, Asst. Branch Manager, Duane Duck, EVP Sales & Service, Ron Susa, Supervisory Committee

### Improving Our ATMs and PTMs

In 2019, ATMs and PTMs (Personal Teller Machines) all across the country benefited from several technological improvements.

For ATMs, that meant replacing our entire fleet of machines to provide a modern, vastly enhanced interface. The new ATMs' improvements include large touch-screen controls and innovative card readers to prevent fraudsters from stealing member data. Members using ATMs located in our branches also now enjoy the ability to withdraw multiple denominations.

For our PTMs, improvements were on the software side. The new software improved the audio and video capabilities of the machines so members and virtual tellers could more easily communicate, making for an overall better experience.

**We replaced our entire fleet of ATMs to provide a modern, vastly enhanced interface.**

We are looking forward to making at least two additional PTMs available for members in 2020. The first will be put in place to serve Bechtel Corporation employees in their Glendale, Arizona, offices. The second will be located next to our new Oak Point branch in Belle Chasse, Louisiana.



## Member Spotlight

Lydia C. [1600 Smith branch] actually saved my ex-pat assignment.

She was the person that went the extra mile to help me set everything up as painlessly as possible.

She isn't a service provider — she's a partner.

- Eduardo O.  
Member in Texas





### Deposits

Up 7.7% in deposits

We continue to offer our members great value through outstanding deposit rates every day. We align our deposit offerings to help members reach their financial goals. Total deposits increased by \$227 million to over \$3.1 billion.



### Assets

Top 1.3% among credit unions by asset rank\*

At the end of 2019, we were ranked as one of the largest credit unions in the country. By asset size, we are in the top 1.3%. During the year, our assets grew 7.2% to a total of more than \$3.5 billion.

\*Source: Callahan and Associates data as of 4<sup>th</sup> Quarter 2019.



### Loans

Up 7.2% in loans

Our mortgage lending portfolio grew as members took advantage of our outstanding rates. Growth was also fueled by our indirect solar lending program, as we more than doubled our solar originations compared to the prior year.



### Financial Soundness

11% capital ratio

Our 2019 capital ratio of 11% was well above the 7% regulatory threshold for “well-capitalized” as defined by our regulators. The Credit Union’s combined loan delinquency and charge-off ratio was only 0.34%, better than the vast majority of our peers.



### Earnings

\$25 million in core income before change in fair value of derivatives

Core income, before change in fair value of derivatives, was \$25 million in 2019, fueled by strong deposit and loan growth. Reported net income was \$4 million because declining short-term interest rates led to a decrease in the value of our derivatives. 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 fluctuate year-to-year but even out over time as the value of the derivatives ultimately return to zero at maturity.



### Member Satisfaction

85% branch survey respondents reported an excellent experience

As part of our culture of continuous improvement, we committed to a higher standard in our member survey program. We were pleased that 85% of members that visited a branch reported an excellent experience. We also made numerous changes to streamline our business processes across departments.

# 2019 Audited Financial Statements

in Thousands of Dollars

## Statement of Financial Condition (at December 31)

| ASSETS                          | 2019        | 2018        |
|---------------------------------|-------------|-------------|
| Mortgages                       | \$2,610,360 | \$2,497,847 |
| Other Secured Loans             | 350,328     | 261,201     |
| Unsecured Loans                 | 54,662      | 54,489      |
| Total Loans                     | 3,015,350   | 2,813,537   |
| Less: Allowance for Loan Losses | (9,543)     | (8,894)     |
| Net Loans                       | 3,005,807   | 2,804,643   |
| Cash and Investments            | 514,946     | 463,906     |
| Other Assets                    | 54,548      | 66,910      |
| Total Assets                    | \$3,575,301 | \$3,335,459 |

| LIABILITIES AND MEMBERS' EQUITY       |             |             |
|---------------------------------------|-------------|-------------|
| Savings                               | \$357,937   | \$384,929   |
| Checking                              | 325,263     | 324,955     |
| Share Certificates                    | 922,469     | 772,691     |
| Money Market                          | 1,546,204   | 1,442,756   |
| Total Members' Balances               | 3,151,873   | 2,925,331   |
| Other Liabilities                     | 26,415      | 17,951      |
| Total Liabilities                     | 3,178,288   | 2,943,282   |
| Reserves and Undivided Earnings       | 394,567     | 390,378     |
| Unrealized Gain (Loss) on Securities  | 2,446       | 1,799       |
| Total Members' Equity                 | 397,013     | 392,177     |
| Total Liabilities and Members' Equity | \$3,575,301 | \$3,335,459 |

## Statement of Operations (for year ending December 31)

| INCOME                  | 2019      | 2018      |
|-------------------------|-----------|-----------|
| Interest on Loans       | \$113,991 | \$101,660 |
| Income from Investments | 13,694    | 12,027    |
| Total Interest Income   | 127,685   | 113,687   |

| COST OF FUNDS   |          |          |
|---|----------|----------|
| Dividends Paid to Members                             | (50,757) | (36,520) |
| Interest Rate Risk Hedging Expense                    | (95)     | (2,247)  |
| Total Cost of Funds                                   | (50,852) | (38,767) |
| Net Interest Income                                   | 76,833   | 74,920   |
| Provision for Loan Losses                             | (2,759)  | (3,719)  |
| Non-Interest Income                                   | 11,294   | 11,900   |
| Non-Interest Expense                                  | (60,402) | (55,530) |
| Net Income Before Change in Fair Value of Derivatives | 24,966   | 27,571   |
| Change in Fair Value of Derivatives                   | (20,777) | 4,609    |
| Net Income  | \$4,189  | \$32,180 |

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 volunteer officials and the policies established by the Board of Directors to ensure their compliance. The Committee engages independent firms to perform the annual financial, 401(k), 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 special post office box established for the Supervisory Committee:

**Chevron Federal Credit Union Supervisory Committee**  
P.O. Box 70157  
Oakland, CA 94612-0157

Based on the results of internal audits and external reviews for the year 2019, we conclude that Chevron Federal Credit Union has adequate internal controls and is financially sound.

**Denise Coyne**

*Chair, Supervisory Committee*

*Clockwise from upper left: Member **Freddy C.** and spouse; member **Norm H.** with **Elsa Pinoliar**, Branch Manager II; **Christian Ontiveros**, Sr. FSR., **Liz Saavedra**, AVP Regional Manager, **Ruben Barrera**, Asst. Branch Manager II, and **Laura Holcomb**, Virtual Teller; member **Brenda A.** with spouse; **Elsa Pinoliar**, Branch Manager II., **Carmen Hernandez**, Asst. Branch Manager I, and **Monique Gunter**, VP National Branch Channel Manager; Oak Point branch*





## Board of Directors

Bill Clutter  
*Chair*

David Andrade  
*1st Vice Chair*

Rick Van De Boom  
*2nd Vice Chair*

Doug Thompson  
*3rd Vice Chair*

Jennifer Machado  
*Secretary/Treasurer*

Michelle Green

Alana Knowles

Billy Liu

May-Yee Ng

David Seals

Marla Wright

## Supervisory Committee

Denise Coyne  
*Chair*

Jim Killoran

Kirk Rehage

Ron Susa

Rick Van De Boom

## Senior Management

Jon Berlin  
*President and CEO*

Duane Duck  
*EVP Sales and Service*

Janet Lee  
*EVP Chief Financial Officer*

Michelle Anderson  
*SVP Lending*

Mitch Dormer  
*SVP Controller*

Rick Kapur  
*SVP Retail Delivery*

Sachin Kundra  
*SVP Chief Information Officer*

Jennifer Lawson  
*SVP Internal Audit and Compliance*

Eileen Loustau  
*SVP Marketing*

Jill Staten  
*SVP People Operations*

Kyle Whittlinger  
*SVP Finance*

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