



Chevron Federal
Credit Union



2023 ANNUAL REPORT



A LETTER TO OUR *Members*

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Board Chair

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President and CEO

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The macroeconomic environment and impact of interest rate increases over the past two years continued to dominate the banking landscape in 2023. It was challenging to grow deposits across the industry; commercial bank balances declined by 2%, representing the largest outflow in the past half-century.* Many financial institutions faced liquidity issues, and several large banks became insolvent.

Amidst this backdrop, the Credit Union continued to exhibit stability, safety, and soundness. While commercial bank deposit balances declined and many banks faced liquidity issues, our deposit and loan balances increased by 1%. Our capital ratio, a key measure of financial strength and stability, remained at the high end of our peers at 13% and well above our regulators' guidelines for a well-capitalized credit union (7%).

As market interest rates rose, we were excited to provide highly competitive money market and share certificate rates that provided

members the best opportunities to save in more than a decade. Our March share certificate special achieved record participation, and a campaign in the latter part of the year provided members with "extra appreciation" rewards for growing their balances.

As the interest we paid on deposits rose significantly, our net interest margin and earnings decreased. Core earnings from operations in 2023 remained positive at \$3.8 million.

GAAP net income was negative \$17.4 million, driven by a \$21.2 million reduction in the value of derivatives we use to manage interest-rate risk. This decline partially offset the \$93 million gain in derivative value we experienced in 2021 and 2022. Our hedging program continued to work as designed to help mitigate the impact of interest-rate volatility, as the underlying economic value of our long-term mortgage loan portfolio moves in the opposite direction of the value of our hedges.

**A key highlight of
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scores we achieved.**

A key highlight of 2023 was the record member experience scores we achieved. New records were achieved by our mortgage, consumer lending, and call center teams, where 99%, 97%, and 92% of survey respondents indicated their experience was excellent or very good. Branch scores were also strong at 98%. We appreciate the feedback that members provide to us in the regular surveys, which helps us continuously improve the service we provide.

*Source: Federal Reserve data.

In 2023, we were pleased to welcome members of the former Chevron Texaco Employees Credit Union (CTECU). The merger, consummated in July 2023, brought 1,300 members and \$22 million in assets to the Credit Union.

We launched two new branches (in Houston and El Paso) and progressed towards three new ones in the first half of 2024. The latter includes a new branch at Three Allen Center in downtown Houston, relocation of the Houston Galleria branch to CityWestPlace in the Westchase District, and a move of the San Ramon branch to Chevron's new office location across the street.

Additionally, investments we have made in the call center and our emerging video banking offering are intended to ensure a highly personalized experience regardless of physical location. We are also continuing to expand self-service options within digital banking, with the ultimate objective of having members be able to conduct

most of their activity within the online or mobile applications.

There were many other exciting developments in 2023, including new state-of-the-art consumer lending technology, which created a highly streamlined application experience for members. We also conducted much of the integration work towards a new loan origination system that will provide members with a convenient experience for obtaining a mortgage.

Operationally, we maintained a laser focus on prudently managing risks. We made key process and system enhancements to bolster our

protection against increasing fraud and cyber threats across the industry. Our credit portfolio continued to demonstrate soundness, with a low net charge-off rate of 0.13%.

Finally, in 2023 we charted our future direction through the development of our new 5-year strategic plan. As always, our focus will be on delivering a personalized and convenient experience and providing excellent value to members. We are excited about where the Credit Union is headed and are grateful for the opportunity every day to help our members achieve their financial goals and aspirations.

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MEMBER *Spotlights*

Numbers are only part of the picture. Our members' stories — filled with aspirations, growth, and accomplishments — are what drive us. We're honored to be a part of so many milestones in the lives of our members and their families.



CONNECTIONS



Everyone
knows me
by name

When Jerry Hoag retired from the U.S. Air Force in 1980, he took a job with the Chevron refinery in Pascagoula, Mississippi. Once there, he wasted no time setting up an account at what was then known as Chevron Pascagoula Federal Credit Union because the Credit Union housed a branch – or what Jerry humorously refers to as a “small closet” – within the refinery’s administration building. At the time, it was just enough to meet members’ needs conveniently on-site.

Fast forward to today, and we’ve grown to accommodate our growing membership. That “small closet” has evolved into a beautiful new Chevron Federal Credit Union building just a few miles from the refinery. Meanwhile, Jerry’s financial needs evolved from new Chevron hire to happy Chevron retiree, and he has relied on the Credit Union and its personalized service throughout. “I’ve done my banking with the Credit Union for more than 40 years,” he says proudly.

The benefits of Credit Union membership for Jerry range from the convenience and peace of mind of managing his finances in one place to the personal connections he’s forged over the years. “**They know me...everyone is very friendly and has something nice to say,**” Jerry shares with a smile. “They won’t let me pay for my coffee either,” he jokes, adding, “I even offered to donate a few dollars each month to the coffee fund!”



BEFORE



AFTER

UPDATED CHEVRON FCU BRANCH
PASCAGOULA, MS



BEFORE



AFTER

UPDATED SPECTRUM CU BRANCH
PLEASANT HILL, CA

2023 HIGHLIGHT Branch Improvements

To better serve members, a new branch was opened at 1500 Louisiana in Houston, and the El Paso branch relocated. Both new branches feature a more modern and inviting layout that replaces teller lines with consultation areas to provide a more personal member experience.

I like that the 1500 Louisiana branch is an informal space that allows some good “one-on-one” interaction between the Credit Union employees and their members.



Rick K.
MEMBER IN TEXAS

CONVENIENCE



I've set up
everything
online

I've been using virtual services since the '90s, and the Credit Union is incredibly responsive when I need something.

John "JJ" Schmidt is always on the move. JJ's wanderlust and his work for Chevron have kept him far-flung from a brick-and-mortar branch for decades, so he's been a remote-banking aficionado for quite some time.

JJ's Chevron career initially took him 6,000 miles away from his California home to Kazakhstan. Long since retired, he hasn't let that stop him and his wife, Galiya, from remaining enthusiastic globetrotters — revisiting Kazakhstan, traveling through Europe, and exploring various parts of the U.S. in their RV.

How does JJ manage his finances during his travels? "I've set up everything online," he reveals.

"All of my payments are automatic and done from my checking account at Chevron FCU. If I need to deal with the Credit Union directly, I'll stop by when I visit El Segundo or use one of the CO-OP Shared Branches nearby."

The best part? JJ feels equally supported by the Credit Union's Digital Banking and Call Center services, finding them just as reliable as his traditional branch experiences. "I've been using virtual services since the '90s, and the Credit Union is incredibly responsive when I need something — I have no problem getting an answer during a reasonable amount of time."

2023 HIGHLIGHT Streamlined Lending

In November, the Credit Union completed its move to a state-of-the-art Consumer Loan system that provides a smoother member experience and more rapid decisions.

I obtained an auto loan from the Credit Union, and I must express my utmost satisfaction. The application process was seamless, and the loan terms were highly competitive. The service team was incredibly responsive, making the entire experience efficient and stress-free.

Reza Y. MEMBER IN CALIFORNIA



CHAMPIONING YOU THROUGH *all stages of life*

More than just a financial institution, the Credit Union is committed to being your lifelong partner. We're here with you cheering you on during every stage of your financial journey, celebrating your milestones, and working with you to make your dreams — big or small — a reality.

I've been a Chevron FCU member for many years. My husband and I were aggressively saving money for a house. The Credit Union consistently has some of the best interest rates, which helped our money slowly grow over time. A few months ago, we were able to purchase our first house in Hawaii. Thanks for helping us reach this life goal!

Elena M. MEMBER IN HAWAII



The whole experience is *so easygoing*

Ambreen Rizvi has been a loyal Credit Union member for nearly 23 years, ever since she launched her career at Aramco.

"When I started working at Aramco, there was a branch on-site. Before I joined, I had heard a lot of good things about the Credit Union and their excellent rates — and there was a branch right there where I worked, so I stopped in and opened an account."

As Ambreen's career flourished and her family grew, so did her relationship with the Credit Union. Her individual account evolved to a joint account and later extended to accounts for both of her children.

"It's very convenient, and the whole experience is so easygoing...I've had home loans, car loans,

almost everything. **Every time I need something, whether it's a loan or something else, there's always someone available who can help me,**" Ambreen said.

"I have purchased several cars with Credit Union auto loans and refinanced my first home mortgage with the Credit Union because the rates were so much better," she notes. How great was that mortgage rate? So good that Ambreen was able to pay off her home loan a few years ahead of schedule.





**Just makes
my life
*so much easier***

This type of service makes me feel really valued as a member.

LaShawn Chambers-Reggans wears many hats — scientist, entrepreneur, and supermom to name a few. Add to that list, loyal member of Spectrum Credit Union.

“I joined Spectrum because of the Bechtel relationship and the benefits that the Credit Union offers,” LaShawn explains. “As a member, I get my pay a bit earlier, and I have easy access to the branch. With Spectrum, I also have access to free notaries, car loans, personal loans, everything!”

As a Credit Union member, LaShawn has reached some impressive financial milestones, due in no small part to the level of member service she receives. “I’ve been able to call the branch and

ask for a staff member by name when I have a question or need banking assistance. This type of service makes me feel really valued as a member,” LaShawn told us, adding, “I can also walk into my branch, and everyone knows me by name and often asks how my family is doing. We check in on each other.”

Feeling recognized and supported by the Credit Union, along with having all her banking resources under one roof is what LaShawn loves most about being a member. “With all I do, I’m really busy, and Spectrum just makes my life so much easier.”

Deposits

Up 1% in deposits

Despite continued Federal Reserve interest rate increases and a challenging environment for deposit growth across the industry, the Credit Union increased its deposit balances. Our rates continued to be highly competitive, and we had record demand for our share certificate special.



Loans

Up 1% in loans

Mortgage rates increased above 7% in 2023, which prompted an industry-wide slowdown in home sales and refinances. However, we still had growth in the mortgage and overall loan portfolios.



Financial Soundness

13% capital ratio

Our financial soundness continues to be excellent. Our 2023 net capital ratio of 13% 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 strong.



Earnings **\$4 million in core net income**

Core net income was \$4 million in 2023, down from \$15 million in 2022. This was driven by the higher interest rate environment and the Credit Union’s desire to pay top-of-market rates on deposits to our members.

GAAP earnings were negative at (\$17) million, driven by a \$21 million reduction in the value of derivatives we use to manage interest-rate risk. 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. While the market value of our derivatives decreased by \$21 million due to declines in intermediate-term rates in the 4th quarter, they provided a \$22 million offset to dividend expense in 2023.



Assets

Among top 1.7% of credit unions by asset size*

We continue to be one of the largest credit unions in the country. Total assets were \$4.7 billion at December 31, 2023.

*Source: Callahan and Associates data as of December 31, 2023.



Member Satisfaction

Record survey results

New records were achieved by our mortgage, consumer lending, and call center teams, where 99%, 97%, and 92% of survey respondents indicated their experience was excellent or very good. Branch scores were also strong at 98%.



2023 Financial Statements*

Statement of Financial Condition (at December 31) (in Thousands of Dollars)

ASSETS	2023	2022
Mortgages	3,205,908	3,162,687
Other Secured Loans	799,124	798,299
Unsecured Loans	74,948	64,602
Total Loans	4,079,980	4,025,588
Less: Allowance for Loan Losses	(70,987)	(23,154)
Net Loans	4,008,993	4,002,434
Cash and Investments	548,184	724,949
Other Assets	111,293	127,731
Total Assets	\$ 4,668,470	\$ 4,855,114
LIABILITIES AND MEMBERS' EQUITY		
Savings	316,897	423,505
Checking	373,756	412,817
Share Certificates	1,476,994	958,527
MarketEdge	1,815,916	2,153,119
Total Members' Balances	3,983,563	3,947,968
Other Liabilities	78,790	249,396
Total Liabilities	\$ 4,062,353	\$ 4,197,364
Reserves and Undivided Earnings	606,189	664,698
Unrealized Gain (Loss) on Securities	(72)	(6,948)
Total Members' Equity	606,117	657,750
Total Liabilities and Members' Equity	\$ 4,668,470	\$ 4,855,114

Statement of Operations (for Year Ending December 31)

INCOME	2023	2022
Interest on Loans	\$ 152,607	\$ 127,820
Income from Investments	20,473	5,185
Total Interest Income	\$ 173,080	\$ 133,005
COST OF FUNDS		
Dividends Paid to Members	(118,753)	(42,035)
Interest on Borrowed Funds	(717)	(1,034)
Interest Rate Risk Hedging Income (Expense)	22,202	(1,981)
Total Cost of Funds	(97,268)	(45,050)
Net Interest Income	\$ 75,812	\$ 87,955
Provision for Loan Losses	(7,176)	(9,590)
Non-Interest Income	9,697	8,949
Non-Interest Expense	(74,508)	(71,994)
Core Net Income	3,825	15,320
Change in Fair Value of Derivatives	(21,195)	70,719
Net Income	\$ (17,370)	\$ 86,039

*This information has been derived from the Credit Union's annual audited financial statements.

The complete audited financial statements are 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 2023, we conclude that Chevron Federal Credit Union has adequate internal controls and is financially sound.

Shay Finley
Chair, Supervisory Committee



Celebrating our members!

Joining the Credit Union in 1995 was one of the best decisions I ever made. Both of my daughters joined over 10 years ago because they saw how good the Credit Union was to me.

Mike R.
MEMBER IN MISSISSIPPI



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