

ANNUAL REPORT



2023



Chairman's Message

2023 was another unprecedented year at SESLOC, with our members continuing to experience a rising interest rate environment. This meant increasing loan rates and higher costs for consumer goods and services, but also observed an increase in rates for savers. Members saving with SESLOC were paid a total of \$5.8 million in dividends, a 171% increase over 2022. We not only increased share certificate and share savings rates several times throughout the year, but we were able to introduce new 3- and 6-month certificates for those needing short-term investment options. Roughly 10% of our membership held certificate or money market accounts in the last year and benefited from these dividend earnings.

Your trust and loyal support has enabled us to thrive even in tough economic times.

In the first quarter of 2023, the news of bank failures caused concern among consumers and businesses. As a member, you likely know that SESLOC and other not-for-profit credit unions stand out as reliable and secure options for consumers and small businesses in our local communities—in fact, credit union members have never lost a penny of insured savings as a result of any credit union failure. In the wake of these events, SESLOC has remained steadfast in its commitment to being your safe and trustworthy partner with whom you can achieve your financial well-being goals. This dedication, coupled with your trust and loyal support, has enabled us to thrive even in tough economic times.

While higher loan rates were observed nationwide, SESLOC remained true to our core value of maintaining loan affordability. As part of the **Level Up Member Benefits** program, we awarded 1,220 discounts on

consumer loan rates to our committed members, which helped many monthly budgets go further. Our loan portfolio overall grew to \$866.88 million, a 5.08% increase over the previous year.

SESLOC placed a strong emphasis on continuously managing its balance sheet to maximize yields while minimizing interest rate risk. We remain well capitalized with a net worth ratio of 8.71%, ending the year with \$1.2 billion in assets and a net income of \$4.94 million.

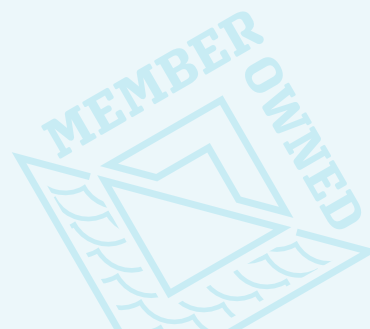
2023 marks the last full calendar year that Geri LaChance will serve as your President & CEO, as she has announced her retirement. She will leave SESLOC well-positioned for the future thanks to the myriad of changes she has championed, including leading the credit union to top one billion in assets, improving technologies and infrastructure, building a new headquarters, expanding SESLOC's field of membership into Northern Santa Barbara County and bringing a branch back on the Cal Poly campus. Geri will be deeply missed, but her retirement is richly deserved—we are grateful for her wonderful and impactful leadership at SESLOC.

The Board is delighted to announce that Mike Quamma, our Chief Financial Officer, has been selected as the new Chief Executive Officer. We are confident in his vision for developing and implementing long-term growth plans and strategic initiatives to enhance member product offerings, services and digital capabilities.

SESLOC navigated the economic challenges of the past year in good form and remains safe, sound, and financially strong. You, our loyal members, are the driving force behind our success. Thank you for allowing us to be your financial well-being partner.



Tom Lebens
Chairman of the Board



Board of Directors



Tom Lebens
Chairman



Dr. Gary Hoskins
Vice Chair



Anthony Cangelosi
Board Financial Officer



Barbara Melvin
Secretary



Derek Johnson
Director



Charlene Rosales
Director



Dr. Alden Shiers
Director

Director Emeritus
Dr. Victor (Vic) Buccola

Director Emeritus
Jacquie Paulsen

Director Emeritus
Pauline Shaffer

In memoriam:
Jim Park, Director
Served 1982 – 2017

President's Message

In 2023, we continued to provide valuable financial services and member benefits, invested in technologies to serve you better, and championed the heart and spirit of the Central Coast.

We made many positive steps in making your credit union more accessible, with a focus on implementing more robust and secure digital and remote banking solutions. This evolution is crucial as nearly 80% of member transactions are completed using self-service options. We installed a new 24/7 **ATM in Los Osos** and relocated the Cal Poly campus ATM to a more prominent location, both of which were a welcome change in helping members skip a branch visit. In the first quarter, we converted to a new and improved **Online Banking** platform that offered card control services, travel notifications and new personal finance management tools such as ability to see your credit score.

While we aim to deliver exceptional member services, we fell short with a key part of this Online Banking upgrade regarding the **Bill Pay** services. What was implemented was not what our new service provider was contractually obligated to deliver—it lacked functionality and ease of use that members rely on. We truly regret the inconvenience it caused and appreciated your patience as we not only developed a plan to restore the *Bill Pay service*, but to restore the *trust and confidence* you place in your credit union to meet your banking needs. We are pleased to announce that the restoration to the former system is complete!

In fostering a spirit of inclusion, we made great progress in creating a more welcoming space for the underbanked, underserved and those emerging into adulthood. We are happy to share that SESLOC is a Community Development Financial Institutions (CDFI) certified financial institution, which plays an important role in generating economic growth and opportunity in distressed communities. SESLOC is now eligible to apply for grants to support a variety of new programs, such as mortgage assistance and small dollar loans, which we're excited to explore in the coming year.

In the meantime, we introduced **Basic Checking**, which has no overdraft fees and other guardrails that make it a great option for teens, young adults, or those needing a fresh start in banking. This account is certified by *BankOn*, which sets standards for and ensures the availability of safe, low-cost transactional products. We also began accepting Matricula Consular ID cards in addition to ITINs and offer our sesloc.org website and Online Banking experiences in Spanish.

While member products and services remain a key focus, we are also deeply committed to improving the financial health and well-being of our membership and community. Our financial education program hit the road with presentations at the Santa Maria Library, to staff at numerous local businesses, and to groups such as the Farmworker's Resource Center,

all of which help local residents boost their financial IQ. In addition, we continued our efforts to introduce financial literacy in high schools, with our first ever **Bite of Reality** event at Pacific Beach High School in San Luis Obispo, where teens could simulate budgeting for real-world expenses like groceries, rent and auto loan payments.

In the fourth quarter of 2023, the Board of Directors and Management announced a plan to convert from a federal to state chartered credit union. This conversion would enable SESLOC to grow strategically and thoughtfully over the next few decades, expanding our footprint to additional counties in Central California. We appreciate member participation in the special election and enjoyed meeting you and responding to your questions at our town hall event in December. We discussed how the conversion is not intended for SESLOC to make rapid changes in the short term, but rather would allow us to extend our reach to younger generations and in specific areas that have higher needs for consumer credit and auto loans, and to those who prefer banking digitally with smartphones and other

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online channels. These new members are needed to keep a steady inflow of new loans and deposits, which spreads the burden of regulatory costs amongst a larger number of people and businesses. Lastly, we confirmed you would still have the same \$250,000 federal deposit insurance through the National Credit Union Share Insurance Fund, that there is no change in your day-to-day transactions, branch or ATM access, or to any products or services, and that we will continue our commitment to providing lower fees and attractive interest rates. On January 4, 2024, SESLOC members voted to approve the conversion.

As we reflect on the past year, our achievements in enhancing your member experiences and educating our community would not have been possible without your continued support and trust in our credit union. It's your feedback, suggestions, and engagement that have helped shape our offerings, ensure that we are meeting your financial needs, and allow us to enrich our **People & Place**. We are grateful and honored to be able to serve you and your families, hopefully for generations to come.



A stylized, handwritten signature in black ink, appearing to read 'Geri LaChance'.

Geri LaChance
President & CEO

Supervisory Committee Report

SESLOC Federal Credit Union's Supervisory Committee is appointed by the Board of Directors. We ensure the safety and soundness of credit union operations, and their compliance with federal and state regulations and our own bylaws. Through our oversight of the credit union's audit function, we assure the credit union's financial statements are fair and accurate, that member deposits are adequately protected, and the credit union's risk mitigating policies and procedures are effective.

The results of the 2023 annual audit performed by Doreen-Mayhew, a third-party external CPA firm specializing in auditing credit unions, shows that SESLOC is well-managed and continued to perform appropriately to sustain a safe and secure future. The assistance and cooperation of staff, management and the Board of Directors in the performance of their duties is much appreciated, as well as the time and effort of our current Committee member volunteers.

We appreciate the credit union's tremendous effort in providing exceptional financial services for the Central Coast community.

Ken San Filippo

Ken San Filippo
Chairman



Ken San Filippo
Chairman



Leslie Coe



Dan DeGroot



Jason Francia



Barry VanderKelen

On the Scene...

Shredding Docs, Enjoying Donuts:

Special thanks to Dellos Performing Arts Center for allowing us to have our first ever Shred Day in the Five Cities area in their parking lot, and for hosting a fundraiser to support youth arts.



Celebrating our People & Place:

We stopped by Radio Lazar to celebrate Hispanic Heritage Month and chat about the credit union difference.



Making Friends:

Our staff had a blast greeting new students during Cal Poly's "Week of Welcome" event.



Educating Seniors:

We presented a financial education seminar at Avila Senior Living.

FINANCIAL SUMMARY

2022

2023

ASSETS

Loans to Members	\$ 824,962,274	\$ 866,881,146
Allowance for Loan Losses	(5,360,000)	(7,722,000)
Cash on Hand	9,543,328	7,803,192
Cash & Investments	352,061,801	286,202,854
Fixed Assets	23,119,138	22,427,848
NCUSIF Share Insurance Fund	10,113,545	9,652,175
Other Assets	8,069,430	7,450,105
Total Assets	\$ 1,222,509,516	\$ 1,192,695,320

LIABILITIES AND MEMBERS EQUITY

Accounts Payable & Other Liabilities	\$ 19,178,650	\$ 19,622,294
Borrowed Funds	30,000,000	60,000,000
Shares of Members	1,094,263,058	1,021,961,671
Undivided Earnings	99,101,848	102,257,045
Unrealized Gain/Loss	(20,034,040)	(11,145,690)
Total Liabilities & Equity	\$ 1,222,509,516	\$ 1,192,695,320

INCOME AND EXPENSES

2022

2023

INCOME

Interest on Member Loans	\$ 30,350,964	\$ 40,531,148
Income from Cash & Investments	5,232,596	6,093,797
Fees & Charges	8,084,962	8,024,952
Other Income	673,456	717,363
Total Income	\$ 44,341,978	\$ 55,367,260

EXPENSES

Dividends on Members' Shares	\$ 2,143,482	\$ 5,808,606
Compensation & Benefits	19,583,897	21,163,665
Operations	13,180,612	16,096,638
Occupancy	2,202,529	2,320,253
Interest On Borrowed Funds	216,150	2,710,124
Provision for Loan Losses	1,592,506	2,329,812
Total Expenses	\$ 38,919,176	\$ 50,429,098
Net Income	\$ 5,422,802	\$ 4,938,162

2023 Accomplishments *at a glance*



\$93,318

The amount **YOU** contributed to local food banks, to KSBY's "Give a Child a Book" fundraiser and to the Family Care Network's "Give Joy" holiday campaign.



1200+

consumer loan discounts awarded as part of our **Level Up** program.



Introduced **Basic Checking**, with no overdraft, NSF or cashier's check fees.

Created a slick **Cal Poly** debit rewards card design for HomeFREE Checking acountholders.



SESLOC.org and Online Banking now offered in Spanish.

740

members attended at least one of our **14 financial education webinars**.



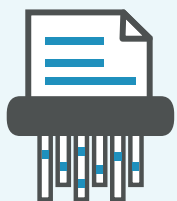
\$3.65 rounds up to \$4.00



\$0.35 goes to savings

Introduced **Change it Up**, where debit card purchases are rounded up to make automatic deposits to a savings account.

Nearly 800 members participated, with an average annual savings of \$225 per participant.



17
TONS

of confidential documents destroyed during **Shred Days**.
Plus, we hosted events for the first time for **Arroyo Grande** and **Santa Maria** branch members.



Added 3-month and 6-month **share certificates**, a short-term investment option.



\$10,575

awarded in prizes for the **Save to Win** 12-month Share certificate, plus there are now more changes to win prizes.



100+

more business locations participated in our **Local Rewards** where eligible cardholders earn bonus points on purchases.



New ATM in **Los Osos**.

8

LOCAL VOLUNTEERS

were presented the first-ever

SESLOC Cares for Community Award

in partnership with News Channel 12.



Launched a new **Online Banking** experience and **Mobile App**, now with the ability to see your credit score (powered by Savvy Money), card controls, travel notifications and option to receive eNotices.

SUPPORTING *Central Coast* *Students, Teachers and Schools in 2023*



Expanding Classroom Resources

Each month since 2013, SESLOC has awarded **Education Grants** in amounts up to \$500 for innovative and creative classroom projects and equipment that go beyond the usual classroom budgets. This program honors our roots as a credit union founded by educators.

\$26,015 was awarded across 55 grant recipients at these schools:

Adam Elementary	Grover Beach Elementary	Orcutt Union School District
Atascadero Middle	Grover Heights Elementary	Paloma Creek High
Baywood Elementary	Harloe Elementary	Paso Robles High
Bishop's Peak Elementary	Hawthorne Elementary	Ralph Dunlap Elementary
Branch Elementary	Kermit McKenzie Junior High	Righetti High
Cabrillo High	Los Ranchos Elementary	San Benito Elementary
Cambria Grammer	Maple High	San Luis Obispo High
Cappy Culver Elementary	McKenzie Intermediate	Santa Lucia School
Central Coast New Tech High	Nipomo Elementary	Shell Beach Elementary
Cuesta College for Kids	Nipomo High	Sinsheimer Elementary
El Camino Junior High	Ocean View Elementary	Vineyard Elementary
Fairgrove Elementary		

Introducing Financial Literacy in the Classroom

SESLOC is the proud sponsor of the **Financial Scholars** program, which provides practical financial education to Central Coast high school students. The online curriculum covers topics like budgeting, credit, taxes, financing higher education, and more.

2022-2023 School Year Results:

- ◆ Nine Central Coast high schools participated: Arroyo Grande, Cabrillo, Central Coast New Tech, Maple, Morro Bay, Nipomo, Paso, Pioneer Valley, and Santa Maria High Schools.
- ◆ 996 students completed the program
- ◆ 3,330 hours of learning



Helping Local Teens Take a "Bite of Reality"

In 2023, we hosted a "Bite of Reality" fair at Pacific Beach High School, where 60 teens participated in real-world living and budgeting simulation. They were given a fictional occupation, family, financial debt and medical situation. The teens then visited various stations to "purchase" housing, transportation, food, clothing, etc. Fortunately, the game also includes a "credit union" to help with their financial needs. Our staff portrayed realtors, retailers, bankers, car dealers, and more, and had a blast!

BRANCH LOCATIONS

PASO ROBLES
705 Golden Hill Road

ATASCADERO
8380 El Camino Real

SAN LUIS OBISPO
3807 Broad Street

CAL POLY CAMPUS
1 Grand Avenue Building 65,
Room 103

ARROYO GRANDE
1399 East Grand Avenue

SANTA MARIA
2506 South Broadway

HEADQUARTERS

3855 Broad Street
San Luis Obispo

805-543-1816 • SESLOC.ORG

Savings are federally insured to at least \$250,000 and backed by the full faith and credit of the U.S. Government. National Credit Union Administration, a U.S. government agency.

Any service or policies stated herein are in effect as of the date of this publication and are subject to change without notice. Disclosures for all products, programs or services are available at any SESLOC branch or by calling (805) 543-1816.

