



Annual Report 2014



Chairman's Message

Over the past several years, we've watched mergers and consolidations reduce the total number of banks and credit unions in the country, reducing consumer choices. We are proud that SESLOC continues its 72-year history of solid performance. We ended 2014 with a capital ratio of nearly 9%, well above the 7% the threshold regulators consider as well-capitalized. SESLOC has accumulated \$56.5 million in reserves, which protects against economic downturns. We appreciate your confidence in the credit union, which is exemplified by your participation in loan programs.

Increased consumer confidence and improved loan application processes resulted in a \$9.4 million net growth in loans after several years of declining loan balances. In 2014 we streamlined the loan application processes and added the AutoSMART program, allowing borrowers to apply for a SESLOC loan directly from participating dealerships. In addition, our Autoland Car-Buying Service located vehicles for a record number of members this past year.

After ten years of planning, we are pleased to occupy our new San Luis Obispo campus. Loan growth helped fund construction and economic conditions allowed us to maximize cost savings. The result is a beautiful eco-friendly facility that will serve members for forty years or longer. A portion of the new headquarters is leased for the foreseeable future, offsetting construction costs. Because this is a capital investment amortized over decades, it does not have a significant impact on annual operating budgets or deposit pricing. As part of our five-year strategic plan, we continue to look for additional branch options to better serve our members.

Savers continue to express concerns about low savings dividends. The Federal Funds rate, the basis for much of our pricing, has remained at an unprecedented low for seven years, and is projected to remain low through 2015. This is good news for borrowers who are getting car loans at 1.90% and refinancing long-term home loans at under 4%, but it does not generate high savings rates. If we priced dividend rates above the general market, we would be flooded with deposits and Credit Union net worth would be dangerously eroded. Your board is faced with a constant balance of short-term and long-term decisions – of maintaining a balance between deposits and loans to ensure safety and soundness. As the economy continues to strengthen, we look forward to brighter days ahead for savers.

A handwritten signature in dark ink that reads "Victor A. Buccola". The signature is fluid and cursive, with the first name being the most prominent.

Dr. Vic Buccola ♦ Chair



President's Message

2014 was an important year at SESLOC. New members chose SESLOC in record numbers. We saw an exceptional 6.2% growth in membership as people chose the benefits of an institution that provides low cost products and services and puts the best interests of members first. This is more than double the growth rate for the previous two years.

SESLOC moved to our new San Luis Obispo campus in October, bringing administrative functions back under one roof. The new construction incorporated the state-of-the-art technology infrastructure needed to support the continuing digital explosion that is changing the ways members manage their finances. In 2014 the number of *eBranch* online users increased by 43%, and more than half of online users transacted on their accounts with mobile devices. As the year closed, we were preparing to introduce Mobile Deposits, which allows members to use a smartphone or tablet to photograph and deposit their checks, thus reducing the need to drive to a branch or ATM. Our new facility also provides a venue to offer in-person financial education opportunities; free educational seminars are scheduled throughout 2015.

In 2014 we added two key positions. Senior Vice President of Marketing and Service Management, Kelli Beck, oversees marketing, operations and education programs. Senior Vice President and Chief Lending Officer, Clarence Cabrerros, manages all loan programs and will work to develop expanded member business lending programs.

Our total loan portfolio saw a notable upturn in growth this past year. But it's more than numbers. We understand that behind the numbers is a member who bought a new car or purchased a new home – a member with a new retirement account or a youngster learning to save. In a broader sense, we support members by investing in the local economy. From selecting local contractors and subcontractors to build our new facilities to the use of local web development and web hosting services – we strive to keep your dollars here where they support local jobs and prosperity. We value each member; we understand that you are the backbone of this Credit Union; you are the reason we exist. We appreciate your continued confidence and support.

Geri LaChance ♦ *President/CEO*

Together with integrity.



Supervisory Committee Report

A primary responsibility of the Supervisory Committee is to ensure SESLOC's financial statements are fair and accurate. In 2014 the Committee engaged the CPA firm of Orth, Chakler and Murmane to audit the financial statements, as well as internal procedures and policies on our behalf.

Our duties include attending Board meetings to stay apprised of matters of governance and to meet with management as needed. The Committee receives and answers member complaint letters sent to our federal regulator, the National Credit Union Administration (NCUA), to ensure issues are addressed fairly.

On behalf of the Supervisory Committee, I am pleased to report to the members that all audits confirm the safety and soundness of the Credit Union's financial position. Any member issues directed to us by the NCUA have been resolved in a timely and fair manner.

The Supervisory Committee is grateful to the Board of Directors for its support and the exemplary working relationship the two groups have established. We commend the management and employees for their responsiveness and commitment to all audit and NCUA examination issues, as well as to information security and member privacy.

In closing, we honor the 2014 passing of our colleague, Bill Loper, a 50-year SESLOC member who served on the Supervisory Committee for 30 years; his dedicated volunteerism provided significant benefit to the full SESLOC membership.

Thank you to our current Committee members, Charlotte Alexander, Sue Benitez, Ken SanFilippo and Rudyard Stone for their time and effort.

Gary Hoskins ♦ Chair

2014 ACHIEVEMENTS

- ♦ New Saturday hours at the San Luis Obispo branch
- ♦ Added discounted vehicle, homeowner and renter insurance products for members
- ♦ Technology upgrades enhanced debit and credit card services, Bill Pay, Phone Teller, and real estate loan processing
- ♦ SESLOC Mobile App updated with added features
- ♦ AutoSMART now provides SESLOC loans directly through participating dealers
- ♦ New state-of-the art ATMs, plus 3 additional SESLOC ATMs installed
- ♦ Digital displays added in branches
- ♦ New and improved website

Income and Expenses

	2013	2014
Income		
Interest On Member Loans	13,580,705	13,506,528
Income From Investments	1,802,812	2,066,541
Fees And Charges	2,852,131	3,461,683
Other Income	204,807	240,317
Total Gross Income	\$18,440,455	\$19,275,069
Operating Expenses		
Compensation & Benefits	6,577,930	7,411,851
Travel & Conference Expenses	88,295	118,352
Association Dues	49,248	52,593
Office Occupancy	633,027	716,053
Office Operations	1,545,929	1,859,419
Education And Promotion	376,113	562,365
Loan Services Expense	118,249	137,999
Professional & Outside Services	1,584,324	1,998,586
Provision For Loan Losses	(1,539,269)	521,330
Federal Operating Fee	132,877	113,140
NCUA - Member Share Insurance	435,239	0
Miscellaneous Expenses	139,216	171,541
Total Expenses	\$10,141,178	\$13,663,229
Dividends	3,030,725	2,500,024
Non Operating Gain/(Loss)	471,228	129,097
Net Income From Operations	\$5,739,780	\$3,240,913

Financial Condition

Assets		
Loans To Members	325,015,335	334,409,535
Allowance For Loan Losses	(2,831,949)	(2,470,000)
Cash	1,670,893	3,698,587
Investments	272,058,155	\$284,131,976
Fixed Assets	10,175,547	\$19,058,312
NCUSIF Share Insurance Fund	5,440,485	\$5,623,325
Other Assets	1,673,377	\$2,685,005
Total Assets	\$613,201,843	\$647,136,740
Liabilities And Members Equity		
Other Liabilities	2,069,545	4,679,895
Shares Of Members	559,046,380	585,960,379
Restricted Reserves	8,200,685	8,200,685
Undivided Earnings	45,917,000	49,157,913
Unrealized Gain/Loss	(2,031,767)	(862,132)
Total Liabilities & Equity	\$613,201,843	\$647,136,740



IN OUR COMMUNITY

We support local charities, provide grants to local schools and offer free financial education. We enjoy participating in numerous local fundraising events every year. It's part of our culture, because we know that **together we do make a difference.**

IN 2014 SESLOC SUPPORTED THESE ORGANIZATIONS

Achievement House | American Heart/Stroke Walk | Big Brothers & Sisters | CASA of SLO County | Central Coast Alzheimer's Association | Central Coast Firefighters | Children's Miracle Network/Cottage Pediatric Hospital | ECHO Homeless Shelter | Family Care Network | Five Cities Homeless Coalition | Habitat for Humanity | Jack's Helping Hand | Performing Arts Center | Prado Day Center | SLO Children's Museum | SLO Community Foundation | SLO Economic Vitality Corporation | SLO Food Bank Coalition | SLO Housing Trust Fund | SLO Literacy Council | South County Youth Coalition | United Way | YMCA

In our ongoing support for local education, SESLOC also awarded **FOURTEEN EDUCATION GRANTS** to K-12 schools from San Miguel to Nipomo.

Together with vision.

Board of Directors



Dr. Vic
Buccola
Chair



Anthony
Cangelosi
Vice Chair



Jim Park
Treasurer



Pauline
Schaffer
Secretary



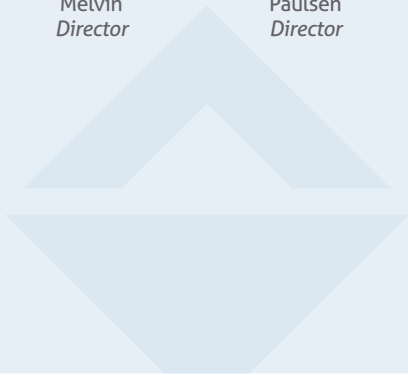
Barbara
Melvin
Director



Jacquie
Paulsen
Director



Dr. Alden
Shiers
Director





SESLOC
FEDERAL CREDIT UNION



805-543-1816



SESLOC.ORG

SAN LUIS OBISPO



ARROYO GRANDE

ATASCADERO



PASO ROBLES



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.