

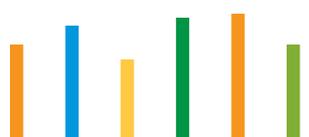


**Strengthening
Our Community With
*Financial Stability***

CELEBRATING
70
Years
People Helping People

 **Lubrizol Employees'**
Credit Union

2023 | ANNUAL REPORT



Chairman's Report

Welcome to the 70th Annual Meeting of Your Lubrizol Employees' Credit Union.

Yes, this is the 70th anniversary of your Lubrizol Employees' Credit Union, and we have a brand-new building. What a year and what a run! Beginning in 1953, we started with 145 members and \$45,000 in assets. Today, we are nearly 3,400 members strong and have over \$53,000,000 in assets. We went from operating out of the personnel office to a mobile building on the plant site, to a small building across the street, to a building on our present site and to our new building.

Our new building positions us to better serve our members into the future.

Your credit union remains strong, and we continue to improve.

Membership

Thank you to our members for being a strong, active and loyal membership. The number of members increased last year, and we are approaching 3,400 members.

Remember that YOUR credit union is open to Lubrizol Employees AND their families. That includes spouse, kids, parents, brothers, sisters, in-laws, grandkids, grandparents, aunts, uncles, nieces, nephews and cousins. Recommend YOUR credit union to your family.

2023 Accomplishments

I want to highlight our major accomplishment for 2023 – our new building. This accomplishment was not possible without our exceptional staff. I want to recognize our staff and the fact that without their hard work and sacrifice we could not have completed this project. This work was led by CEO Rose Flores and Project Manager Agatha Anariba. In addition, Vice-Chairman Danny Koons played an important role that included monitoring the project from start to finish.

Not only did our staff have to endure about a year in a small temporary building, but they prepared for exiting the old building prior to demolition. The work the staff participated in during the construction and after the completion and in moving into the new building cannot be underestimated. There is not enough space in this report to list all

that they have done. Suffice to say, it was a lot, though not all visible, and was a job well done. We, the members, are thankful.

2024 Major Highlights

- Continue to increase membership via communications with incentives and social media
- Restart communication to plant personnel via quarterly email
- Continue to increase loan portfolio – quarterly loan promotions
- Promote and increase bill pay – it is free
- Research tiered deposit rates and share certificates
- Member feedback via survey
- Accept credit and debit cards for loan payments
- Contactless Mastercard®
- Update/highlight member testimonials

Credit Unions and Banks and the Potential for Taxation

In 2023, the total number of credit unions was about 4,760. This is down from nearly 20,000 credit unions in the late 1960s. Meanwhile, the total assets of all credit unions have steadily increased and total about \$2 trillion. While the number of credit unions has decreased, the number of members has steadily increased. In 2023, there were 137 million credit union members. The main reasons for the drop in the number of credit unions are typically poor management and non-functional credit union boards. Poor credit unions are generally absorbed by larger credit unions. That is why the total assets and number of members steadily increase.

Thankfully, your credit union has strong management and a dedicated group of volunteers.

In contrast, the total number of banks in 2023 totaled about 4,672. The number of banks is lower, but the total assets of all banks dwarf that of credit unions. The total assets of all banks is about \$24 trillion.

Lawmakers frequently bring up the not-for-profit credit unions and the fact that they are not taxed. Lawmakers frequently

see credit unions as a new source of tax dollars. As recently as January 2024, the non-profit group Tax Foundation wrote a 17-page research paper entitled "After 90 years, it is time to wean credit unions off taxpayer subsidies." The conclusion in part states, "Credit unions' privileged status as non-exempt nonprofit organizations may have filled a market need during the Great Depression, but 90 years later, there is no longer a justification to subsidize these institutions. ... Fairness, equity and public finance demand that credit unions be put on the same tax footing as the commercial banks that they compete with." I find it ironic that the Tax Foundation is a tax-exempt organization and wonder if any employees there are members of credit unions. They would see the benefit of credit unions.

If we hear any talk of the taxation of credit unions, we must all contact our legislators.

It bears repeating what I stated last year. Credit unions are not-for-profit financial cooperatives and, unlike banks, have no shareholders demanding a market return on their investment. This structural difference allows credit unions to pass profits onto their member-depositors in the form of lower loan interest rates, higher yields on savings and fewer/lower fees.

Bottom line, we, the members, are the owners, and all members benefit from better and more cost-effective services than banks offer.

Our mission is to build lifelong relationships through family-friendly service and provide beneficial, progressive financial services.

Our vision is to be our members' financial services provider of choice, enriching the lives of our members and employees.

At Lubrizol Employees' Credit Union, it is about people helping people. And remember, friends don't let friends use banks.

Strengths

Lubrizol Employees' Credit Union is very strong. A key indicator of strength is the capital to asset ratio. Your credit union's capital to asset ratio is a very strong 15.66% – an increase from 14.67% the previous year.

Total assets decreased slightly by \$1,022,356 (1.9%) during 2023, and we ended the year at \$53,355,984. Total loans increased slightly by \$283,352 (1.1%), and we ended the year at \$25,812,024. Total income was \$529,299 – an increase of 17.8%. This amount was added to capital and makes us stronger.

Your Primary Financial Institution

We truly believe that we can be your PRIMARY financial institution. Members continue to use our vast array of online services. You can do business conveniently no matter where you live or happen to be in the world. Our remote services include our mobile banking app; remote deposit; electronic signatures via DocuSign; two ATM networks, Allpoint® and MoneyPass®, with over 85,000 free ATMs worldwide; and debit cards on Apple Pay®, Google Pay™ and Samsung® Pay. Members can easily do business remotely and in person. We strive to be the BEST credit union in the State of Texas and continue to add services.

Give us feedback on additional services we can provide that would make your credit union your primary financial institution.

Summary

Your Lubrizol Employees' Credit Union remains very strong. This is confirmed by the positive examinations by the State of Texas Credit Union Department. In addition, we confirm that by using an outside auditor every year to examine the financials. We strive to be the BEST credit union in the State of Texas. Each year we continue to improve and grow your credit union.

In addition, as I stated above, we have a FANTASTIC staff. With a strong and active membership, exceptional leadership by Rose and a group of dedicated volunteers, we are very well positioned for continued growth and improvement.

In closing, I want to thank and recognize our very exceptional staff: Rose, Susie, Emma, Hedda, Agatha, Charlie, Abbi and Julia.

On behalf of your Board of Directors,

Rich Miller
Chairman of the Board

mission

Our mission is to build lifelong relationships through family-friendly service and provide beneficial, progressive financial services.

core values

- > Excellent Member Service
- > Honesty
- > Integrity
- > Trust & Respect internally & externally
- > Open/Candid with those we serve internally & externally
- > Safety/Soundness/Financial Strength
- > "People Helping People" philosophy
- > Community responsibility

Adhering to our core values guides us to treat others with the courtesy and respect that we wish for ourselves. LZECU believes that through these actions we can achieve our primary goal of delivering an excellent member experience at all times.

vision

Our vision is to be the financial services provider of choice, enriching the lives of our members and employees.

Agenda

- Ascertain Quorum
- Minutes of Last Annual Meeting
- Reports to the Membership
- Elections
- Unfinished Business
- New Business
- Door Prizes
- Adjournment



TREASURER'S REPORT

Increasing federal interest rates provided a challenging backdrop to what ultimately was a tremendously successful and financially stable 2023 for our Lubrizol Employees' Credit Union. Our ongoing top-tier regulatory audit results help to validate that the systems and processes in place are working to their full effect. Our Asset & Liability Committee (ALCO) continues to closely monitor potential risks, monitor ongoing market conditions and shifts and routinely provide recommendations to the Board to maximize services while mitigating those risks. LZECU's strong fiscal performance continues to ensure unparalleled levels of service for our membership and a secure financial future for decades to come.

Some key 2023 statistics to highlight:

- Total Annual Net Income increased by 17.8% over 2022 to \$529,299; this was driven heavily by increased interest rates.
- 409 new loans were issued to members in 2023, providing \$11,147,289 worth of funding for members' individual needs and dreams.
- Investment income increased over last year by 98.1%, up to \$694,290.
- Assets decreased slightly (1.88%) in 2023 to \$53,355,984; this stabilization was driven primarily by increased market interest rates.

Performance compared with our peer group (defined as other credit unions with assets ranging from \$50-\$100 million) continues to demonstrate LZECU's strong financial health and security:

- LZECU remains extremely well capitalized with a Capital to Asset Ratio of 15.66% compared with our peers at only 11.40% (and compared to "safe" guidance at greater than 9%).
- As we continue to monitor and manage expenses, our Net Operating Expense Ratio of 2.17% continues to outperform our peers at 2.33%.
- Our Return on Assets of 1.13% continues to outperform our peers at 0.88%, allowing ongoing high levels of service and opportunity for our membership.
- Our strong processes and close member relationships drive down our Net Charge Off ratio of 0.22% to amongst the lowest in the industry and outperforms our peers at 0.37%.

Our LZECU continues to keep the needs of our members front and center as member services continue to be evaluated, expanded, and improved. Our new building was designed and constructed for member support and growth. Our investment portfolio continues to be closely managed to balance maximum returns with appropriate risk. All told, LZECU is prepared and remains steadfast in our mission to continue to provide all members with beneficial, progressive financial services.

Joseph J. Morris
LZECU Treasurer

statement of financial condition

2023

2022

Assets		
Loans	\$25,812,024	\$25,528,672
Cash	\$2,460,345	\$2,597,111
Investments	\$20,639,000	\$24,347,083
Building & Land	\$2,675,040	\$706,773
Other Fixed Assets	\$340,242	\$28,477
Other Assets	\$1,429,333	\$1,170,226
Total Assets	\$53,355,984	\$54,378,340

Liabilities & Equity		
Member Shares	\$44,479,714	\$46,299,586
Liabilities	\$387,406	\$91,891
Reserves	\$749,468	\$749,468
Undivided Earnings	\$7,739,396	\$7,237,394
Total Liabilities & Equity	\$53,355,984	\$54,378,340

income and expense statement

Interest on Loans	\$1,304,630	\$1,209,408
Income from Investments	\$694,290	\$350,428
Other Income	\$364,668	\$395,679
Total Income	\$2,363,588	\$1,955,515

Operating Expenses	\$1,610,124	\$1,354,533
Non-Operating Expenses	\$0	\$106
Dividends	\$224,164	\$151,573
Total Expenses	\$1,834,289	\$1,506,212

Net Income	\$529,299	\$449,304
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member statistics

Total Members	3,391	3,387
Total Share Draft Accounts	2,005	1,976
Total IRAs	139	134

SUPERVISORY COMMITTEE'S REPORT

Appointed by the Board, the role of the Supervisory Committee is to perform audit oversight on behalf of the Board of Directors. The Supervisory Committee is responsible for ensuring that the credit union meets required financial reporting objectives and follows all necessary procedures to protect members' assets. The Committee employs independent external auditors to perform auditing, account verification, and other work under its supervision. To carry out these responsibilities, the Supervisory Committee completed two key activities in 2023:

- The Committee contracted John Weaver & Associates to conduct a comprehensive annual audit for the period ending December 31, 2022. The results of this audit indicate adherence to proper practices, procedures and that accounting records accurately reflect the credit union's operation.

- The Texas Credit Union Department conducted the most recent examination of books and records for the period ending March 31, 2023. No material concerns were identified. The credit union was found to be financially and operationally sound.

I am excited to announce that Heath Jones has joined the Supervisory Committee and will participate with AJ Jones and I in Verification Audits going forward.

The Committee is pleased to report that Lubrizol Employees' Credit Union continues to operate in a financially sound manner and remains dedicated to serving its members.

Waynisha Edwards
Supervisory Committee Chairman

69th Annual Meeting Minutes

March 7, 2023

The 69th Annual Meeting of Lubrizol Employees' Credit Union was held on Tuesday, March 7, 2023, at 7:00 p.m. at the Deer Park Theatre and Courts Building. Refreshments were served as members and guests registered for the meeting. Everyone received the 2022 Annual Report, a door gift and a ticket for the door prize drawings.

Call to Order:

Mr. Miller welcomed everyone, called the meeting to order and ascertained that a quorum of 25 or more members was present.

Approval of the Minutes:

Mr. Miller called for a reading of the 2022 Annual Meeting Minutes. A motion was made by Mark Turvey to dispense with the reading of the minutes and accept the minutes as presented in the Annual Report. Neil Greene seconded the motion, and it carried.

Reports:

Mr. Miller gave the Chairman's Report, which is also located in the 2022 Annual Report. Chairman Miller informed LZECU remains financially strong. Total Assets increased \$873,618 [1.6%] during 2022, ending the year at \$54,378,340. Total Loans increased by \$950,294 (3.9%), ending the year at \$25,528,672. A

total of \$449,304 was added to Capital during the year. The Capital to Asset Ratio is a strong 14.67% compared to the required minimum of 7%. Mr. Miller encouraged all members to make LZECU their primary financial institution and refer all family members to join the credit union. With LZECU's bill pay, mobile banking app with remote deposit and vast free ATM Networks, members can conduct business 24/7 anywhere in the world. Mr. Miller went over 2022 accomplishments and informed the major goal for 2023 is the completion of the new office building, which is tentatively set for early June with a grand opening in July. A 10-year service award was presented to staff member Charlie Riggs. Board Treasurer Joe Morris was acknowledged for completing five years of volunteer service on the LZECU Board of Directors. Mr. Miller thanked each one for their dedication and valuable service to LZECU.

Chairman Miller informed the Treasurer's Report and Supervisory Committee Report can be found in the 2022 Annual Report.

In closing, Mr. Miller thanked the membership, staff and Board for their support and making LZECU successful.

Election:

Chairman Miller reported that the Nominating Committee unanimously nominated Board Incumbents Gabriel Aguilar and Gregory Drummond to fill the two (2) open Board positions, each bearing a three-year term. Mr. Miller called for nominations from the floor. No nominations were offered. A motion was made by Mark Turvey and seconded by Fred Gregory that the nominees be elected by acclamation. Motion carried.

Old Business:

None

Door Prize Drawings:

There were 26 prizes for members 13 years of age and up and 24 prizes for members 12 years of age and under. Delinda Dutton won the \$300 Adult Grand Prize. Evan Anariba won the \$100 Kid Grand Prize.

Adjournment:

Chairman Rich Miller adjourned the business meeting at 8:00 p.m. There were 113 members in attendance.



Leadership

board of directors	Term Ends
Rich Miller, Chairman of the Board	2024
Danny Koons, Vice Chairman of the Board	2024
Joe Morris, Treasurer	2024
Delinda Dutton, Secretary	2025
Gary Aldrich, Director	2025
Gabe Aguilar, Director	2026
Greg Drummond, Director	2026

supervisory committee

Waynisha Edwards, Chairman
AJ Jones, Member
Heath Jones, Member

nominating committee

Delinda Dutton
AJ Jones

credit union staff

Rose Flores, President/CEO
Julia Tibbals, Accounting Manager
Agatha Anariba, Marketing, Project & IT Administrator
Susie Morley, Payment Services Specialist
Emma Anderson, Loan Manager
Abbi Littlejohn, Loan Officer
Hedda Dangleben, Member Service Supervisor
Charlie Riggs, Member Service Representative