

2012 OFFICERS

BOARD OF DIRECTORS

Louis Vecchi Chairperson of the Board
 Johnny Chatman Vice Chairman
 Fred Crum Financial Officer
 Ralph DeJesu Membership Officer
 Vic Remorini Board Member

LOAN OFFICERS

Larry Wigley Senior Loan Officer

SUPERVISORY COMMITTEE

Vic Remorini, Chairman
 Vern Holt
 Jim McSorley

SECURITY OFFICER

Larry A. Wigley

MEMBERSHIP OFFICER

Ralph Dejesu

STAFF

Larry Wigley C.E.O.
 Wendy Ledezma Member Service
 Teresa Lozano Member Service
 Lori Hubbard Member Service
 Julie Gaspar Loan Officer
 Nancy Lytle Member Service
 Lisa Sharman C.O.O.

NOMINATING COMMITTEE REPORT

NOMINATING COMMITTEE

Bill Sharkey Chairperson
 Ann Randall
 Dan Glaze

BOARD OF DIRECTORS

Terms Remaining

Vic Remorini 3 years
 Louis Vecchi 2 Years
 Ralph DeJesu 2 Years
 Fred Crum 1 Years
 Johnny Chatman 1 Years

STATEMENT OF FINANCIAL CONDITION

Assets	2011	2012
Loans	9,893,400	8,023,105
Visa Loans	2,183,912	1,916,385
Loans to Members	12,077,312	9,939,490
Loan Loss Allowance	<312,042>	<283,266>
Cash In Bank	1,565,080	635,889
Cash On Hand	170,324	148,265
Cash in Bank/On Hand	1,735,403	784,154
Wescorp	264,803	656,198
Share Deposit-Certs	65,000,164	77,272,140
Co-Op	20,000	20,000
Investments	65,284,967	77,948,338
Prepaid/Deferred Exp.	41,621	48,215
Land	175,574	175,574
Buildings	630,218	607,823
Furniture/Equipment	99,473	83,762
Accrued Investment Income	83,403	84,209
All Other Assets	15,111	21,764
NCUSIF Deposit	697,655	752,986
Retirement Plan	2	1
Deferred Comp	1,359,797	1,566,616
All Other Assets	3,102,854	3,340,950
Total Assets	81,888,495	91,729,666
Liabilities		
Accounts Payable	5,571	9,698
Deferred Comp Yield	88,306	295,125
Deferred Comp Premium	<43,060>	<47,520>
401-K Employee Plan	419	2,190
Payroll Taxes	11	5
Ach. Suspense	5,106	4,910
Accounts Payable	56,353	264,408
Total Liabilities	56,353	264,408
Equity		
Shares	65,575,732	74,556,104
Shares Draft	2,032,152	2,330,354
IRA Shares	5,866,775	5,712,611
Member Shares	73,474,659	82,599,069
Regular Reserves	1,125,460	1,125,460
Reserve for Cont.	7,172,022	7,680,729
Undivided Earnings	60,000	60,000
Member Capital	8,357,482	8,866,189
Total Equity	81,832,142	91,465,258
Total Liabilities & Equity	81,888,495	91,729,666

FINANCIAL AND STATISTICAL INFORMATION

STATEMENT OF INCOME - 2012

Income	
Int-Loans	\$ 505,138
Int-VISA Loans	164,951
Income from Loans	670,089
Investment Income	1,937,686
Membership Fees	146
Other Fees/Charges	124,847
Miscellaneous Income	19,955
Fees/Charges/Misc.	144,948
Total Income	2,752,723
Expense	
Employee Salaries	402,594
Employee Benefits	359,706
Travel/Conference	2,542
Association Dues	16,306
Office Occupancy	104,864
Office Operations	50,480
Education/Promotion	116,203
Loan Service Expense	159,922
Professional/Outside	105,567
Operations Expenses	1,318,183
Loan Loss Provision	12,355
Borrowers Insurance	71,534
Operating Fee	18,471
Cash Over/Short	40
Interest/Borr Money	13
Annual Meeting Expense	3,317
Miscellaneous Expense	36,424
Other Expenses	129,798
Total Expense	1,460,336
Net Before Dividends	1,292,387
Dividends	
Dividends	783,680
Total Dividends	783,680
Net After Dividends	508,707
Total Non-OP INC/EXP	0
Net Income	508,707

2012 Year End Statistics

Loans made for the year 2012	117	\$1,110,925			
Loans made for the year 2011	<u>101</u>	<u>\$992,039</u>			
	+16	+\$118,886			
Total outstanding loans for 2012	772	\$9,939,490			
Total outstanding loans for 2011	<u>852</u>	<u>\$12,077,312</u>			
	-80	-\$2,137,822			
Total share holdings for 2012	4735	\$82,599,069			
Total share holdings for 2011	<u>4746</u>	<u>\$73,474,659</u>			
	-11	+\$9,124,410			
Gross earnings for 2012		\$2,752,723			
Gross earnings for 2011		<u>\$3,001,637</u>			
		-\$248,914			
Total operating expense for 2012		\$1,460,336			
Total operating expense for 2011		<u>\$1,529,848</u>			
		-\$69,512			
Net earnings before dividends for 2012		\$1,292,387			
Net earnings before dividends for 2011		<u>\$1,471,789</u>			
		-\$179,402			
Total dividends paid for 2012		\$783,680			
Total dividends paid for 2011		<u>\$660,220</u>			
		-\$123,460			
Net gain after expenses and dividends 2012		\$508,707			
Net gain after expenses and dividends 2011		<u>\$811,569</u>			
		\$302,862			
Total delinquency 12/31/2012	1	\$10,194			
Total delinquency 12/31/2011	<u>6</u>	<u>\$13,271</u>			
	-5	-\$3,077			
Loans charged off 2012	9	\$29,130			
Loans charged off 2011	<u>40</u>	<u>\$219,882</u>			
	-31	-\$190,752			
Total assets on 12/31/2012		\$92,729,666			
Total assets on 12/31/2011		<u>\$81,888,495</u>			
		+ \$10,841,171			
Expense Ratio to Gross Income					
	2012	2011	2010	2009	2008
	53.05%	50.97%	50.76%	79.29%	47.69%
Expense budget for 2012					\$1,446,672
Actual expense for 2012					<u>\$1,460,335</u>
Over budget .95%					\$13,663
Distrubution of income and benefits to members					
Dividends		\$783,680			28.47%
Operating expense		\$1,460,336			53.05 %
Net retained earnings		<u>\$508,707</u>			<u>18.48%</u>
		\$2,752,723			100.0%

REPORT OF THE PRESIDENT

The Books are again closed for another year. Again the year 2012 proved to be a challenge and a productive year for the Credit Union. Your Credit Union continued its long standing policy to return the majority of net earnings to the members in the form of dividends on shares. The Credit Union posted four quarterly dividends. Dividends posted were 1.0%, 1.0%, 1.0% and 1.00 % respectively. With an APY of 1.004%. For the First, Second, Third and Fourth quarter of 2012 the credit union posted dividends to all IRA'S of 1.25% (APY 1.256). We continued our long standing policy to pay dividends on share draft accounts of .25%.

The Credit Unions net worth ratio for year-end was 9.67% which is a decrease of 54 basis points from 2011, well above the standard set by NCUA for a well-capitalized Credit Union. The decrease was mainly due to the increase in share and IRA deposits

If you look at the distribution of income statistics you will note that 28.47% of total income was returned to the members in the form of dividends. This was an increase of 6.47% from 2011.

Again the Credit Union had two examinations from an outside auditor and the National Credit Union Administration. Both exams showed the safety and soundness in the credit unions operations with no exceptions being noted.

During the year the credit union mourned the passing of Otto Groschwitz. Otto served as CEO of the credit union from 1966 through 1990. After retiring in 1990 Otto stayed active with the credit union as a Board member and Supervisory Committee Chairperson. His knowledge and humor is greatly missed.

I wish to thank the Board, Committees, and the Staff for their contributions to a successful year, and thank you members for your continued patronage and support.

Respectfully,
Larry A. Wigley
President, CEO

LOAN OFFICERS SUPERVISION REPORT

During 2012 the loan officers approved a total of 117 loans for \$1,110,925.

This is 16 loans and \$118,886 more than what was approved in 2011. Since the RE market having been in a slump since 2006 and still not improved and or stabilized the home values remained stagnant, we still stayed away for HOME LOAN lending.

We have never engaged in "sub-prime lending" or loans based on inflated home values. As a result we have not losses due to foreclosures. As a matter of fact 61.72% or \$6,133,782 of our loan portfolio is secured by real estate, with no delinquencies in that category. This is a solid block of loans. We are proud of our prudent lending policies.

Recently the credit union has made some major adjustments to the rates and terms of its lending policy. Check with your credit union first for all of the current loans rates.

I wish to thank our members for their continued loyalty and the loan officers and all of the staff for their efficient handling of our members financial needs.

Respectfully submitted,
Vic Remorini
Loan Officer Supervisor

FINANCIAL OFFICER'S REPORT

Once again we close the books on another successful year for our credit union. 2012 marks the year we will all remember for the fiscal cliff ordeal brought to us courtesy of our dually elected officials. Despite their best efforts, our economy continues to improve with what I've read to be tepid, but positive growth. Our credit union continues to grow and prosper, outpacing the growth of our economy in the wake of the great rescission of 2008. We continue to provide solid steady growth as a credit worthy institution, which is documented by all of the official audits this past year, as well as in years past.

We have recently changed our lending policies to include even more of our members so we are better able to serve you. Please stop by or call to check out our latest promotions or visit us on line to see what we have in place, and feel free to offer more ideas to better serve our members. We would like to hear from you.

The yearend statistics are as follows;

Total assets increased again this year. We end 2012 with \$91,729,666.00
This equates to an increase of \$10,841,171.00.

Outstanding loans equal \$9,939,490.00.

Gross earnings equal \$2,752,723.00.

Dividends equaled \$783,680.00.
This is an increase of \$123,460.00

The distribution of income and benefits to members

Dividends	\$ 783,680.00	28.47%
Operating expenses	\$1,460,336.00	53.05%
Net Retained Earnings	\$ 508,707.00	18.48%

I would like to thank the staff for their diligence this year, as well as the Board of Directors and Supervisory Committee for their continued support. And especially to you; our fellow members of our Credit Union, to which we all work to support.

Respectfully Submitted,
Fred Crum
Financial Officer

CHAIRPERSON'S REPORT

The year of 2012 was a challenging year for all financial institutions including the credit union as you can see by reading the financial and statistical information section of your annual meeting report.

Dividend rates posted
First quarter was 1.0% on all regular shares and 1.25 % for IRA's.
Second quarter was 1.0% on all regular shares and 1.25% for IRA's
Third quarter was 1.0 on all regular shares and 1.25% for IRA's
Fourth quarter was 1.0% on all regular shares and 1.25% for IRA's

The Credit Union is continuing its long standing policy to pay high dividends on regular shares and IRA'S.

Members of Shell Western States Federal Credit Union have financial safety.

The Credit Union offers all different types of loans from Automobiles, Boats, Motorcycles, Signature and Visa loans. The Credit Union also offers free checking (no monthly service fee) and we will even buy your first order of checks. Please check with the credit union staff for details. The credit union

has just redone its loan policies and rates. Check with the credit Union staff for details.

My condolences go out to the Groschwitz family for the passing of Otto. Otto was a fixture of the credit union for 47 years serving as CEO and then the Board of Directors and the Supervisory Committee.

I would like to personally thank the Board of Directors: Johnny Chatman-Vice-Chair, Fred Crum-Financial Officer, Vic Remorini-Loan Officer Supervisor and Ralph DeJesu-Membership officer for another year of financial accomplishments.

Also I would like to acknowledge the Supervisory Committee: Vic Remorini-Chair, Jim McSorley and Vern Holt for there work during the year 2012.

In recognition to the staff for another prosperous year for the Credit Union I would like to thank Larry Wigley-CEO, Lisa Sharman- COO /Bookkeeper, Wendy Ledezma-Member Services, Julie Gaspar Loan Officer, Nancy Lytle-Part Time Teller/Member Services, Lori Hubbard Teller/Member Services and Teresa Lozano Member Services.

Respectfully Submitted,
Louis Vecchi
Chairperson

SUPERVISORY COMMITTEE REPORT

The committee conducted monthly business during 2012, primarily to send verifications to new and closed accounts we also analyzed and verified dormant accounts, which by law had to be closed and proceeds to be surrendered to the State of California. We also examined various other documents for accuracy.

The annual audit was again performed by Robin Rivers, CPA, with Financial Standards Group Inc. and covered one year of operations from 4/1/11 through 3/31/2012. No major exceptions were noted.

The CPA audit puts emphasis on financial data and accepted accounting principles. The audit also examines compliance with state and federal regulations.

The NCUA conducted and "in-house" examination during 2012 and monitored our operation by quarterly calls reports, which gives them additional data of our operations. The NCUA supervision is mainly concerned with safety and soundness and adherence to Rules and Regulations, as well as the proper maintenance of capital (Net Worth)

A credit union our size is considered well capitalized at 7% equity. At the end of 2012 our equity was 9.67%. Our business plan for 2013 calls for attaining a 10.0% to 11.0% equity, or better. Total assets increased by \$10,841,171 or 13.24%.

For the year 2012, SWSFCU was again awarded a 5 star "superior" rating from Bauer Financial Reports, Inc. the highest rating possible, for the eighteenth consecutive year.

This rating certainly attests to our Credit Union's strengths and prudent performance.

Respectfully Submitted,
Vic Remorini, Chairperson
Vern Holt
Jim McSorley
Jon Marangoni (alternate)
Charles Williams (alternate)

SHELL WESTERN STATES Federal Credit Union

1700 Pacheco Blvd., P.O. Box 456
Martinez, California 94553
Telephone (925) 228-4545

SSN Number 313-3600



SERVING THE COMMUNITIES OF MARTINEZ &
PACHECO AND THE EMPLOYEES OF SHELL OIL,
SHELL CHEMICAL, WESTERN FARMS

GOLDEN GATE PETROLEUM

CRITERION CATALYST CO.

DIAMOND SERVICES CO.

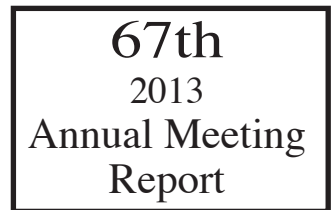
MCJUNKIN CORP.

WESTCO CORP.

TELFER OIL CO.

SS TOOLS

HENKEL



MEMBER

California Credit Union League
CUNA International, Inc.