



**Stanford Federal Credit Union
60th Annual Membership Meeting Minutes
May 13, 2020**

CALL TO ORDER:

Chairperson, Gregory Rosston, introduced himself and welcomed everyone to the 60th Annual Membership Meeting. Ms. Hutchison, SFCU Board Treasurer, reported there were 132 members attending this meeting virtually, which is more than required for a quorum. The meeting was called to order at 5:30 pm.

INTRODUCTIONS:

Mr. Rosston welcomed all attendees to SFCU's 60th annual membership meeting, taking place for the first time via ZOOM due to the unprecedented shelter in place orders for the COVID-19 pandemic. Mr. Rosston stated the annual meeting agenda, 59th annual membership meeting minutes and 2019 Annual Report are located at sfcu.org/meeting. Mr. Rosston requested the attendees use the Q&A feature within ZOOM to ask questions throughout the meeting. Questions will be responded to either at the end of the meeting or directly with the member via email after the meeting.

Mr. Rosston assured members that SFCU is fully operational and available to provide the financial services its members want and need during the COVID-19 Pandemic. Mr. Rosston introduced the voluntary Board members: Vice Chair Dr. Shirley Everett, Treasurer Tana Hutchison, Secretary Dan Kolkowitz, Curtis Feeny, Jon Dreyfus, Joan Opp, Robert Reidy and Sue Kingston. The Supervisory Committee Members, who oversee SFCU's safety and soundness, are: Chair Neil Hamilton, Secretary Desmond Low-Kum, David MacKenzie, Michael Tran Duff and appointed in 2020 is Jessica Kennedy. Mr. Rosston thanked his fellow Board Members, members of the Supervisory Committee, Management and Staff for their commitment to SFCU.

CHAIRMAN OF THE BOARD:

Mr. Rosston expressed the honor to be serving as Board Chair with not only a great group of volunteers, but also with a fantastic group of Stanford FCU (SFCU) employees, many of whom are participating online. This group is what makes SFCU one of the best financial institutions.

Mr. Rosston stated he would be reporting on several 2019 accomplishments, one which includes SFCU being ranked #3 in performance by S&P Global Market Intelligence based on growth and operational metrics. This demonstrates that SFCU is high performing and is positioned to stand strong through a tough upcoming environment based on a number of measures:

- SFCU has over 9% capital, which is at a level above which NCUA, the credit union's regulator, deems well capitalized
- SFCU's Lending team has been vigilant in ensuring loans are appropriate and well collateralized,
- Members' deposits, backed by the NCUA share insurance fund, grew by 13.8% annually

- Total assets grew to just under \$3 billion
- Membership grew by 6.2% annually to over 72,000 members
- SFCU is the 93rd largest credit union in the country

Mr. Rosston stated SFCU has consistently focused on improving the financial lives of its members by providing products and services at a good value with minimal fees. In 2019, SFCU expanded its Membership Rewards program to add criteria for debit card usage, resulting in more than 5,000 additional members receiving ATM rebates, loan rate discounts and other benefits. Almost 40% of SFCU's members now meet this engagement criteria. Other SFCU initiatives in 2019 included:

- Several enhancements to online and mobile banking
- Same day ACH transfers
- A new My Offers section within Online Banking that contains prequalified loan offers
- The ability to edit recurring transfers in quick links within the mobile app
- The integration of TransferWise, a best in class way to transfer funds internationally

Mr. Rosston assured members SFCU will continue its efforts to provide value with its products and services. Part of being a good financial partner is participating in the betterment of the community as a whole. SFCU continues to partner with multiple non-profit organizations in the Stanford and Palo Alto communities to sponsor events and provide volunteer hours.

Mr. Rosston concluded by assuring that as SFCU grows, it will continue to evaluate the value it provides while ensuring it operates safely. SFCU wants its members to save time and money as well as have peace of mind that their assets are safeguarded.

Mr. Rosston thanked fellow volunteers for their time and dedication to SFCU and thanked the staff who work hard on a daily basis to achieve the excellence that is the hallmark of SFCU. In addition, he thanked those members participating online in this meeting for being part of the SFCU family.

Mr. Rosston introduced Ms. Joan Opp, President & CEO, to report on the state of the credit union.

STATE OF THE CREDIT UNION:

Ms. Opp thanked Mr. Rosston for his service as SFCU Board Chair and his passion and commitment to SFCU. Ms. Opp also welcomed everyone to SFCU's 60th annual virtual membership meeting.

Ms. Opp acknowledged the current scary and uncertain times for SFCU members. Ms. Opp stated that SFCU will be here for its members through this time. SFCU has strength in its financials and will work with its members patiently and compassionately to help see them through this.

Before starting, Ms. Opp introduced the senior management team: Brian Thornton, Chief Lending Officer; Brian Zeitler, Chief Information Officer; Mark Wilcox, Chief Operating Officer; Paul Jockisch, Chief Financial Officer.

Ms. Opp stated she would like to focus on sharing the credit union difference, how SFCU is operating in the current shelter in place environment, how SFCU is helping its members who are experiencing financial hardships, and SFCU's plans to continue its technology driven focus in how it delivers services.

Due to the COVID-19 pandemic, the SFCU staff had to react quickly when SFCU shifted to remote work and incorporated social distancing when remote work was not feasible. Many displaced team members are now helping in other areas that need more resources. Ms. Opp stated she is very proud of the team at SFCU.

SFCU is structured and operates as a non-profit financial cooperative. SFCU does not make a net income to distribute to a small group of investor/shareholders; rather SFCU invests in services for its members while providing as strong a value as possible in how loan and deposit products are priced. In addition, it operates on very minimal fees, much lower than for-profit competition and very low against SFCU peers. SFCU will continually strive to keep this value strong for its members.

Another benefit of being part of a financial cooperative is that SFCU is responsive to its members. Ms. Opp has received numerous comments from members in recent weeks emphasizing their appreciation in being able to easily reach SFCU in addition to SFCU's willingness to listen and help.

Two months into the mandatory shelter in place order due to COVID-19, SFCU continues to be fully operational in all aspects of its business. 70% of SFCU employees have been shifted to remote. Where this is not practical, SFCU is practicing social distancing and taking all precautions to keep its employees safe. Three of the six SFCU branches are open on slightly reduced hours. Medical Center, Tresidder Student Center and Redwood City branches have been temporarily closed due to the hospital restricting access and Stanford students and employees shifting to remote. Pampas Lane, University Avenue and Embarcadero branches are open, where social distancing is being practiced. Appointments from members are being taken to meet on ZOOM or voice call to minimize the need to meet in person where appropriate. SFCU employees from closed branches have been reassigned to assist in other departments, particularly the call center, digital online support and the lending team.

Ms. Opp stated for members who need assistance during this time, SFCU has a variety of ways to help including emergency loans and deferment of loan payments on credit cards, personal loans and mortgages. Ms. Opp reassured SFCU members that SFCU is well capitalized to serve them through this pandemic and beyond.

Ms. Opp shared SFCU's plans for investing in innovation to better serve its members. SFCU feels it is imperative to evolve its digital framework to reach all members through its digital channels, especially since SFCU members reside in 48 states. SFCU will continue to enhance its digital platform and online account opening. Two significant innovations planned for 2020 include:

- Partnership with Google to launch a Smart Checking account
- Implementation of a new Mortgage Lending system

In closing, Ms. Opp thanked the volunteer Board of Directors and Supervisory Committee for their leadership and dedication to SFCU. The entire SFCU staff was thanked for their hard work every day to deliver excellent service to the SFCU membership. Ms. Opp, on behalf of the Executive and Board of Directors, thanked the SFCU membership for their confidence and continued trust in SFCU.

Ms. Opp introduced Paul Jockisch, Chief Financial Officer, to present the 2019 Financial Overview.

Mr. Jockisch thanked everyone for being present. Mr. Jockisch reassured members that even with all the changes currently taking place, one thing that has not changed is SFCU's commitment to serving its members.

This is measured as follows:

- The value returned back to SFCU members in terms of low fees, great rates and investing in technology
- SFCU's performance as a strong and stable financial institution that does not take unnecessary risks with its members' money

2018 and 2019 were two of the most successful years in SFCU's history. Total Assets reached just under \$3 billion; and Stanford Federal Investment Services, the wealth management team, growing to just under \$140 million under advisement. Total membership grew to 72,000 members with 7,000 new members in 2019, which included 2,300 new students.

Additionally, SFCU had a very strong year in terms of loan, deposit, and asset growth. Total loans grew to \$1.99 billion in 2019, growing by 6% for a net increase of \$113 million. SFCU funded nearly \$700 million in loans across all loan products in 2019. On the deposit side, balances grew to \$2.3 billion, growing by 13.8% from 2018. One of the most popular deposit products in 2019 was the 7 Month No Penalty CD.

Mr. Jockisch reported on SFCU's operational metrics - Net Interest Margin, Operating Expense ratio, Return on Assets and Non-Interest Margin.

- The Net Interest Margin is the spread between what is earned on assets and what is paid for on SFCU's sources of funds. This spread has remained strong, with 2019 being 2.51%.
- With regard to the Operating Expense ratio, SFCU is one of the most efficiently operated credit unions as shown in its low Operating Expense ratio of 1.66%, the lowest it has been for the past 5 years.
- Return on Assets (ROA) is a way to view SFCU's net income in relation to its asset size. 2018 recorded a record ROA of 1.3%, followed by a very strong ROA for 2019 of 1.12%. The industry standard for this metric is below 1.0%
- The Non-Interest Income ratio is where credit unions report their fee income. This ratio for 2019 was only 0.37% due to SFCU specifically focusing on low fees being one of its guiding principles. 2019 resulted in SFCU refunding over \$500,000 in fees to its members. SFCU will continue to look at ways to lower or eliminate certain fees to its members.

Mr. Jockisch stated that just as important as growth and profitability is the safety of the credit union in its balance sheet. SFCU's delinquency and charge off ratios are some of the lowest in the country. Its loan reserve ratio to protect SFCU against potential future losses is at 0.69%, deemed sufficient for the loan portfolio as of the end of 2019. The Loan Reserve will be increased in 2020 due to the current environment related to COVID-19 pandemic.

Lastly, SFCU remains very safe with its Net Worth Ratio ending 2019 at 9.69%, well above the 7.0% ratio deemed well capitalized by the NCUA. This capital is there for SFCU to draw upon during times of uncertainty. Mr. Jockisch stated that during these uncertain times, SFCU will continue to strive to give back as much value to its members as possible while keeping SFCU financially safe.

Mr. Jockisch turned the meeting back over to Mr. Rosston.

MINUTES:

Mr. Rosston reported that the Board of Directors approved the minutes from the last annual meeting, which were emailed to all members with the invitation to this year's annual meeting. These are also available at

sfcu.org/meeting. Mr. Rosston stated if there are any objections to the Board of Directors approving the minutes for this annual meeting, to please send a comment through ZOOM Q&A. No objections through Q&A were received.

Mr. Rosston turned the meeting back over to Ms. Opp to answer a question received through Q&A. The question asked “What are the challenges currently facing SFCU?” Ms. Opp responded to three areas of challenge currently being faced:

- The current pandemic and being able to meet the member and employee needs
- The economic outlook which is going to cause some challenges which SFCU will endure
- Technology expectations and how SFCU can continue to delight the membership with how it delivers technology to them

Ms. Opp turned the meeting back over to Mr. Rosston.

OLD BUSINESS:

Mr. Rosston reported there was no unfinished business to discuss.

NEW BUSINESS:

Mr. Rosston asked the members to submit any new business through Q&A. No new business was submitted.

NOMINATIONS REPORT:

Mr. Rosston stated that the Nomination Committee is comprised of Chair Tana Hutchison, Robert Reidy and Jon Dreyfus. Mr. Rosston introduced Ms. Hutchison to provide the report from the committee on the Board nominations.

Ms. Hutchison stated that there were no nominations by petition from the membership at large. The Nomination Committee nominated the following persons to stand for election to the Board of Directors, all for a 3-year term, and notified the membership in accordance with the bylaws:

Dr. Shirley Everett
Mr. Curtis Feeny
Mr. Dan Kolkowitz
Ms. Joan Opp

Ms. Hutchison noted that the by-laws of the Credit Union do not allow for nominations from the floor and declared the slate elected by acclamation and congratulated the Directors. She then turned the meeting back to Mr. Rosston.

ADJOURNMENT:

Mr. Rosston thanked everyone present for attending the 60th Annual Meeting. Mr. Rosston stated if any questions were submitted through Q&A and not answered, SFCU would respond directly to the member(s) via email by Monday, May 18.

Mr. Rosston asked for a motion to adjourn the meeting. Ms. Opp moved to adjourn, Ms. Hutchison seconded the motion, and it was unanimously carried. The meeting adjourned at 6:03 pm.