



Stanford Federal Credit Union 61st Annual Membership Meeting Minutes May 12, 2021

CALL TO ORDER

Chairperson Gregory Rosston introduced himself and welcomed everyone to the 61st Annual Membership Meeting. Mr. Feeny, Stanford Federal Credit Union (SFCU) Board Member, reported there were 104 members attending this meeting virtually, which is more than required for a quorum. The meeting was called to order at 5:32 pm.

INTRODUCTIONS

Mr. Rosston welcomed all attendees to SFCU's 61st Annual Membership Meeting, taking place via Zoom. Mr. Rosston stated that the meeting Agenda, 60th Annual Membership Meeting Minutes and 2020 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 introduced the voluntary Board members: Vice Chairperson Dr. Shirley Everett, Treasurer Tana Hutchison, Secretary Dan Kolkowitz, members Curtis Feeny, Jon Dreyfus, Joan Opp, Robert Reidy and Sue Kingston. The Supervisory Committee members, who oversee SFCU's safety and soundness, are: Chairperson Neil Hamilton, Secretary Desmond Low-Kum, members David MacKenzie, Michael Tran Duff and Jessica Kennedy. Mr. Rosston thanked his fellow Board Members, members of the Supervisory Committee, SFCU 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 SFCU employees, many of whom are participating online. This group is what makes SFCU one of the best financial institutions.

Mr. Rosston acknowledged SFCU's member-facing staff, many of whom have been present in person to serve members throughout the pandemic, doing an amazing job to fulfill their duties while following pandemic protocols.

Mr. Rosston then provided an overview of SFCU's accomplishments, as follows:

- The COVID-19 pandemic led to reduced spending and increased savings, resulting in member deposits growing by a record 22.7% in 2020, bringing total assets to just over \$3.5 billion.
- Membership grew 4% to just under 76,000 members.
- SFCU is the 92nd largest credit union in the country.
- The Stanford Alumni and Athletics Visa credit card programs were upgraded to Visa Signature, providing additional discounts, rewards and benefits.

- The Consumer Loan application process within Online Banking was updated to make it easier for members to apply.
- Opting into electronic credit card statements was made easier this past year.
- Virtual member appointments were introduced to provide individualized assistance that is socially distanced.
- Tap-to-Pay was added to all SFCU debit cards.
- A new texting solution to enhance member communication was launched.
- An updated mobile application navigation, based on member feedback, was released.
- A new Mortgage Origination system was rolled out with SFCU being the first to implement this state-of-the-art system. With a record mortgage pipeline, the road has been bumpy. Member patience has been greatly appreciated as SFCU works through this migration.
- Record levels of mortgage refinances and HELOC applications have been processed.
- SFCU continues to prepare to launch the Plex account in partnership with Google.

Mr. Rosston stated SFCU will continue to focus on value, driven by pricing and member experience, in how it delivers its services. Mr. Rosston also touched on ways SFCU has partnered with multiple nonprofit organizations in the Stanford and Palo Alto communities for the betterment of the community as a whole. Payment Protection Program (PPP) loans were offered to business owners struggling due to the pandemic in addition to several donations directly to local businesses.

Mr. Rosston concluded by assuring attendees 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 his fellow volunteers for their time and dedication to SFCU and thanked the staff who work hard each day 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 61st annual membership meeting.

Before starting, Ms. Opp introduced the Senior Management Team: Brian Thornton, Chief Lending Officer; Brian Zeitler, Chief Information Officer; and Paul Jockisch, Chief Financial Officer.

Ms. Opp acknowledged this past year has been a challenging time for everyone. SFCU members and staff have persevered through the pandemic, with SFCU staff working together to keep each other healthy and ensure members have the financial services they rely on.

In today's presentation, Ms. Opp stated she would focus on sharing the credit union difference, how SFCU is operating in the pandemic, an update on SFCU's membership outreach efforts and a review of the initiatives SFCU is currently working on.

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 strong value in how loan and deposit products are priced. In addition, SFCU operates on very minimal fees, much lower than the 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 emphasizing their appreciation in being able to easily reach SFCU in addition to SFCU's willingness to listen and help.

During the pandemic, Ms. Opp stated several branches were temporarily closed but all branches are now open. SFCU encourages members to use digital channels, with SFCU continuing to evolve these to best serve member needs. The pandemic assistance programs were used by over 800 members to obtain a personal loan or loan deferment. In addition, all 14,000 credit cardholder payments were automatically deferred for 90 days to assist those who needed payment deferrals.

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 digital channels, especially with SFCU members residing in 48 states. SFCU strives to fulfill members' financial needs regardless of where they live. Specific updates Ms. Opp addressed are:

- Implementation of a new mortgage origination system, which has been somewhat challenging due to SFCU being the first financial institution to deploy the system along with SFCU employees working remote due to pandemic restrictions. Once the kinks are worked out, SFCU believes this solution will be best in class and enhance the overall member experience throughout the process from application to funding. Ms. Opp expressed appreciation to the members for their patience as refinance and HELOC loan applications have taken longer than desired.
- A new Membership Rewards awareness tool for members in Online Banking will be rolling out in June, making it much easier for members to see their relationship with SFCU and the value of deepening that relationship. As a financial cooperative, the more members use SFCU, the better the value should be. One such example is an additional 1% back to the Ambassador credit cardholders for their monthly spend up to \$2,500.
- SFCU's eStatement delivery system will be updated in 2021, with one consent needed for all accounts, including credit cards.
- The SFCU Plex account, in partnership with Google, will launch later this year. This account will be powered by Google Pay, with new and innovative features to evolve over time.

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 Team 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 2020 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 by:

- The value returned to SFCU members in terms of low fees, great rates, and great experience by SFCU's investment in technology.
- SFCU's performance as a strong and stable financial institution that does not take unnecessary risks with its members' money.
- Staying focused on SFCU's values.

Mr. Jockisch began his overview focusing on Loans and Deposits. SFCU is well known for its lending services with great rates and friendly service. 2020 resulted in loan balances ending over \$2 billion, growing by 6%. SFCU funded over \$900 million in new loans in 2020. Deposit balances ended at \$2.8 billion, growing by 23%. This incredible growth was a result of SFCU members exhibiting the "Flight to Safety" phenomenon, trusting SFCU with excess liquidity during this period of uncertainty.

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

- The Net Interest Margin is the spread between what is earned on assets and what is paid on SFCU's sources of funds. This spread has remained strong, but in 2020 dropped to 2.07%, the lowest spread in SFCU's 60+ year history. This is a result of the quick switch to a low-rate environment. SFCU is confident it can be successful in this environment, being extra diligent in making smart investments and keeping expenses low.
- Regarding the Operating Expense Ratio, SFCU is one of the most efficiently operated credit unions as shown in its low Operating Expense Ratio of 1.49%, the lowest it has been in the past 5 years. SFCU will continue to focus on keeping operating expenses low so that more of SFCU's profit can be returned to its members.
- 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 1.30%, followed by a very strong ROA for 2019 of 1.12%. 2020 was a challenging year but achieved a respectable 0.80% ROA even through the pandemic.
- The Non-Interest Income Ratio is where credit unions report their non-interest income. This ratio for 2020 was 0.47% due to SFCU specifically focusing on low fees, one of its guiding principles. 2020 resulted in fees as a percent of income being 1.2%, which is much lower than some of SFCU's competitors or banks. SFCU refunded over \$500,000 in fees to its members during 2020.

Mr. Jockisch stated that just as important as growth and profitability is the safety of the credit union on its balance sheet. SFCU's delinquency and charge off ratios are some of the lowest in the country. SFCU's delinquency ratio is 0.02% and charge-off ratio is 0.05%. These low ratios are a testament to the diligent underwriting of SFCU's lending teams and the credit quality of SFCU members.

The loan reserve ratio is 0.95%, with its purpose being to protect SFCU against potential future loan losses. This is deemed sufficient for the loan portfolio as of the end of 2020. The increase in the Loan Reserve ratio during 2020 is due to the current environment uncertainty related to the COVID-19 pandemic.

Lastly, SFCU remains very safe with its Net Worth Ratio ending 2020 at 8.81% of total assets, 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 net worth took a dip during 2020, with earnings lower than previous years. The primary reason for this dip is the unprecedented deposit growth in 2020. SFCU will continue to strive to give back value to its members while keeping SFCU financially safe.

Mr. Jockisch thanked the membership for their trust in SFCU and their continued support. Mr. Jockisch turned the meeting back over to Mr. Rosston.

MEMBER Q&A

Ms. Opp took this opportunity to address questions in the Zoom Q&A.

- One member asked if members could opt out of Google Plex. Ms. Opp stated there will not be any automatic enrollment of current members in Google Plex. This is a new account which members will open at their discretion in the Google Pay app, thus specifically opting in.
- One member asked if there are any initiatives to support international members. Ms. Opp outlined several initiatives in place today, including:
 - Opening of accounts for members coming to the US without a Social Security Number.
 - No international fees charged on foreign credit card transactions.
 - The integration of TransferWise into online banking, making the international transfer of money easier for members.

MINUTES

Mr. Rosston reported the Board of Directors approved the 2020 Annual Meeting Minutes, which were emailed to all members with the invitation to this year's Annual Membership Meeting. These are available at sfcu.org/meeting. Mr. Rosston stated that if there are any objections to the Board of Directors approving the 2020 Annual Membership Meeting Minutes, to please send a comment through Zoom Q&A. No objections through Q&A were received.

Mr. Rosston stated the 2020 Annual Report was also shared with the membership via the annual meeting email. If there are any questions about the annual report, Mr. Rosston asked for these to be submitted through the Zoom Q&A. No questions were received.

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 Zoom Q&A. No new business was submitted.

NOMINATIONS REPORT

Mr. Rosston stated that the Board Nominations Committee is comprised of Chair Curtis Feeny, members Robert Reidy, Dan Kolkowitz and Jon Dreyfus. Mr. Rosston introduced Mr. Feeny to provide the report from the committee on the Board nominations.

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

Ms. Tana Hutchison

Mr. Neil Hamilton

Mr. Feeny noted the by-laws of the credit union do not allow for nominations from the floor and declared the slate elected and congratulated the Directors. He then turned the meeting back to Mr. Rosston.

ADJOURNMENT

Mr. Rosston thanked everyone present for attending the 61st Annual Membership Meeting. Mr. Rosston stated the membership can count on SFCU to serve their needs both now and in the future.

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