



Stanford Federal Credit Union 63rd Annual Membership Meeting Minutes May 17, 2023

CALL TO ORDER

Chairperson, Dr. Shirley Everett, introduced herself and welcomed everyone to the 63rd Annual Membership Meeting. Ms. Opp, Stanford Federal Credit Union (SFCU) Board Member, reported there were over 80 members attending this meeting both in person and virtually, which is more than required for a quorum. The meeting was called to order at 5:30 pm.

INTRODUCTIONS

Dr. Everett welcomed all attendees to SFCU's 63rd Annual Membership Meeting, taking place in a hybrid format with both in person and Zoom options. Dr. Everett 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.

Dr. Everett introduced the Board members: Vice Chairperson Mr. Gregory Rosston, Treasurer Tana Hutchison, Secretary Dan Kolkowitz, members Curtis Feeny, Jonathan Dreyfus, Joan Opp, Robert (Bob) Reidy, and Neil Hamilton. The Advisory Board member is Agustin (Gus) Araya. The Supervisory Committee members, who oversee SFCU's safety and soundness, are Chairperson Jessica Kennedy, Secretary Michael Tran Duff, members David MacKenzie, Gus Araya, and Colleen Honigsberg. Dr. Everett thanked her fellow Board Members, members of the Supervisory Committee, SFCU Management and Staff for their commitment and dedication to SFCU. She especially recognized the SFCU staff, who are some of the most talented and hard-working individuals, making it one of the best financial institutions around.

CHAIRMAN OF THE BOARD

Dr. Everett reassured the membership that SFCU is conservatively managed with the members' best interests in mind. SFCU is a member owned co-operative that strives to provide strong value to members in a safe and fiscally responsible manner.

2022 was a year of volatility with interest rates increasing as the Federal Reserve addressed inflation. SFCU members responded to this with an increased demand for loans ahead of further rate increases. SFCU ended 2022 with 24% overall loan growth, broken down as follows:

- 46% consumer loan growth
- 38% Home Equity Line of Credit (HELOC) growth
- 25% Mortgage Loan growth
- 21% Credit Card Loan growth
- 12% Commercial Loan growth

Dr. Everett stated this incredible demand demonstrates how SFCU members trust SFCU to provide

their financing needs. SFCU strives to ensure the products are attractive and positioned to meet the mission of improving the financial lives of SFCU members.

Deposits decreased slightly in 2022 by 2.7% overall, with the decrease being primarily attributed to record IRS payments by the membership. In comparison to other financial institutions, SFCU has fared well and will continue to make deposit growth a focus in 2023.

Dr. Everett provided an overview of other SFCU 2022 accomplishments, as follows:

- Membership grew by over 11,000 new members (7.4%) to reach 86,000 members. Over 2,000 of these new members were referred by current members.
- Over 42% of SFCU's members are engaged, meaning they have direct deposit with SFCU or actively use their SFCU debit card.
- SFCU's Net Worth ended the year at 9.5%, well above the regulatory well capitalized threshold of 7%.
- SFCU remains focused on strong value, minimal fees, providing exemplary service and attentiveness to managing its operating expenses.
- SFCU's Net Promoter Score reached a personal best of 71.5.

Dr. Everett summarized the financial performance overview by stating SFCU is well situated, balanced from an interest rate risk perspective, and positioned to safely and soundly serve its members now and well into the future. Updated financial information will be posted on the SFCU website quarterly. Dr. Everett thanked the membership for being part of the Stanford Federal Credit Union family.

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

STATE OF THE CREDIT UNION

Ms. Opp thanked Dr. Everett for her service as SFCU Board Chair and her passion and commitment to SFCU. Ms. Opp also welcomed everyone to SFCU's 63rd annual membership meeting.

Ms. Opp acknowledged the challenging environment financial institutions are currently navigating. The current interest rate environment is volatile with more rapid rate increases occurring and the highest inflation in 40 years. Stress exists within the banking system with two recent high profile banking failures taking place in our market. In spite of these situations, SFCU is in good shape and well positioned. Ms. Opp stated the key message she would like to relay to the membership is SFCU has prepared for the rising interest rate environment by keeping its balance sheet conservative.

Ms. Opp introduced the Senior Management Team: Brian Thornton, Chief Lending Officer; Brian Zeitler, Chief Information Officer; Deena Otto, Chief Operating Officer; Lecia Roundtree, Chief People Officer; Paul Jockisch, Chief Financial Officer.

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. SFCU generates net income to build capital for safety and soundness. Beyond that, SFCU's focus is on expanding service offerings and providing value in how loan and deposit products are priced. This results in SFCU prioritizing safety and

soundness over profit. Value to members and safety and soundness are SFCU's highest priorities. In most circumstances, the rates and fees members receive from SFCU will be better than banking alternatives. Another value members receive is the availability and responsiveness of SFCU staff.

Ms. Opp shared with the membership the 2022 Operational achievements of SFCU, along with the 2023 focus and initiatives.

2022

- Digital Service Delivery has been and will continue to be the primary operational focus. Having tools and systems in place that allow members to do almost anything they need to do online is key, with the following items being introduced in 2022:
 - Zelle – a person to person pay feature, replacing Pay A Friend
 - SFCU partnered with NYDIG to implement functionality to buy and sell Bitcoin through online banking at better transaction fees than Coinbase.
 - Lightning Fast Cash loans were introduced to instantly process and fund unsecured loan requests.
 - The User Experience on the mobile application was updated.
 - A new statement feature was rolled out within Online Banking.
 - Virtual Branch banking was introduced for members to conduct virtual appointments via Zoom.
- Payments is another area of focus:
 - Digital issuance of debit and credit cards was introduced, allowing members to use these cards immediately at issuance.
 - Push to wallet and push to merchant to easily execute payments is coming soon.
 - A Tech Rewards Card was introduced, as well as enhancements to rewards on other SFCU cards when purchasing from Amazon, Google, or Apple.
- SFCU is focused on educating members regarding fraud, with fraud education emails being sent and tips being posted on social channels. All these can be found at <https://www.sfcu.org/security>. Members should know that SFCU will never call members to ask them to provide their credentials or secure access code.

2023

- Streamlining processes, enhancing functionality in online banking, and adding products and services to stay competitive will be areas of focus.
- The consumer loan experience from application to funding will be revamped with the goal of more automation for faster funding.
- Payments will continue to be a focus, with a new Prizeout feature being introduced for discounted gift cards from popular merchants that our members use. Enhancements to card functionality and user experience in Online Banking is being evaluated.
- Self-service forms and videos will be introduced based on member feedback.
- Chat with AI, video chat, co-browsing, and text messaging are being introduced to better serve members the way they want to be serviced and enhance the member experience.

- E-sign for mortgage documents where legally allowed.
- Plaid integration to set up links between other financial accounts outside SFCU.

In closing, Ms. Opp thanked the volunteer Board of Directors and Supervisory Committee for their leadership, dedication, valuable time, and energy spent with SFCU. The entire SFCU staff was thanked for their hard work and passion every day to deliver excellent service to the SFCU membership. Ms. Opp, on behalf of the Board and Executive Team, thanked the SFCU membership for their trust and confidence in SFCU. SFCU will strive to maintain that trust.

Ms. Opp introduced Paul Jockisch, Chief Financial Officer, to present the 2022 Financial Overview.

SFCU 2022 FINANCIAL OVERVIEW

Mr. Jockisch thanked everyone for being present. Mr. Jockisch emphasized that member value and safety and soundness are equally important and SFCU's focus. Financial highlights included:

- Net worth, summarized as SFCU's accumulated earnings over time, ended at 9.5% of total assets. This is a very strong position when compared to NCUA's well capitalized level of 7.0%.
- Uninsured deposits are those balances above the NCUA government insured amount of \$250,000. At the end of 2022, there were 14.9% of SFCU deposits which were uninsured, much lower than the 93.8% for Silicon Valley Bank and 67.4% for First Republic Bank.
- Unrealized losses are those where the value of that investment today is less than at the time of purchase. Recent banking competitors had to sell investments at a loss to generate needed cash. If SFCU was in a similar position in needing to sell its investments, its capital would have dropped to just 8.7% if all investments were liquidated. At Silicon Valley Bank and First Republic, the sale of their investments drove their capital position to 0%. This is shared to emphasize SFCU's commitment to safety and soundness of its institution.
- Looking at Asset Quality, SFCU has only 0.03% of its loan portfolio being delinquent, and 0.04% of its loan portfolio being charged off in 2022. This is a testament to the underwriting standards of SFCU and the asset quality of the membership.
- SFCU is one of the most efficient credit unions as demonstrated through its operating expense ratio of 1.38%. This allows SFCU to return more of its profits to the membership.
- Return on Assets ended 2022 at 0.98%.
- Non-interest income ratio ended 2022 at 0.25%, declining over time as SFCU has eliminated member fees such as insufficient funds fees while rebating charged fees back to members. The 1% bonus on card purchases to Ambassador members is also included in this number. This summarizes SFCU's philosophy of making enough money to be safe and secure and then returning value back to the membership.

Mr. Jockisch concluded that in uncertain times, SFCU strives to continuing giving its members great value while also being a strong and stable financial institution. Mr. Jockisch thanked the membership

for their trust in SFCU and their continued support. Mr. Jockisch turned the meeting back over to Dr. Everett.

MINUTES

Dr. Everett reported the Board of Directors approved the 2022 Annual Meeting Minutes, which were emailed to all members with the invitation to this year's Annual Membership Meeting. These are also available at sfcu.org/meeting, along with this year's meeting agenda and the 2022 Annual Report.

Dr. Everett asked if there are any objections to the Board of Directors approving the 2023 Annual Membership Meeting Minutes, to please speak up or send a question through Zoom Q&A. No objections were received.

Dr. Everett stated the 2022 Annual Report was also shared with the membership via the annual meeting email. If there are any questions about the annual report, Dr. Everett asked for these to be submitted through the Zoom Q&A. No questions were received.

OLD BUSINESS

Dr. Everett reported there was no unfinished business from the 2022 Membership meeting to discuss.

NEW BUSINESS

Dr. Everett asked the members to submit any new business through Zoom Q&A. No new business was submitted.

NOMINATIONS REPORT

Dr. Everett stated the Board Nominations Committee is comprised of Chair Greg Rosston, members Robert Reidy, Neil Hamilton, and Tana Hutchison. Dr. Everett introduced Paul Jockisch to provide the committee report on the Board nominations, on behalf of the Nominations Committee chair.

Mr. Jockisch 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:

Dr. Shirley Everett

Ms. Joan Opp

Mr. Curtis Feeny

Mr. Dan Kolkowitz

Mr. Jockisch 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 Dr. Everett.

MEMBER Q&A

Dr. Everett stated that any unanswered questions received through Zoom Q&A will be answered by email within the next week. There were no unanswered questions.

ADJOURNMENT

Dr. Everett thanked everyone present for attending the 63rd Annual Membership Meeting. Dr. Everett stated the membership can count on SFCU to serve their needs both now and in the future.

Dr. Everett requested a motion to conclude the meeting, with the motion and a second being received from members present.

Dr. Everett declared the meeting adjourned at 6:10 pm.