



Stanford
FEDERAL CREDIT UNION

2021 ANNUAL REPORT

Federally Insured by NCUA



Joan Opp, President/CEO

PRESIDENT & BOARD CHAIR'S REPORT

2021 was an exciting year as we welcomed our 80,000th member and set new records in funded loans. The pandemic continued to impact operations and our members, while the record-low interest margins challenged us to become even more operationally efficient to support our mission of providing as much value to members as possible.

Membership grew 5.6% and we ended 2021 with 80,085 members. This growth is an especially great accomplishment given that we had limited access to our University and corporate partners due to remote work environments. We now serve members in 90 countries and all 50 states. We also grew our actively engaged members from 28,914 to 32,430, which represents approximately 40% of total members—another record.



Gregory Rosston, Board Chair

2021 brought high levels of mortgage originations and paydowns due to continued refinances as interest rates remained low throughout most of the year. Deposit growth slowed from the high levels of 2020 and we ended the year with total assets of \$3.86 billion and a Net Worth Ratio of 8.86%.

Auto loans grew significantly higher than forecast in 2021, thanks to our relationship with Tesla and the higher dollar amounts for these cars. We forecast \$12.9 million in balance sheet growth for auto loans and finished 2021 with over \$44 million in net growth in balances. We forecast credit card balances to increase 6.5%, or \$2 million in 2021, and saw larger than expected growth in our credit card portfolio largely due to the increase in consumer confidence. Our credit card portfolio grew by 20.81%, or \$6.4 million.

One of the biggest compliments we receive from members is to have you refer us to your family and friends. As a way to thank you for the referrals, we increased our Refer A Friend cash bonus from \$50 to \$100 for both the referring member and the new member. Over 1,000 members earned this bonus in 2021, and over 40% of our new members joined based on referrals from family, friends and co-workers.

Perhaps one of our most important values we offer our members is no to low fees—in 2021 we reversed over \$500,000 in ATM, wire transfer and service fees. We continue to keep our fees minimal, and unlike most financial institutions we do not charge for common fees such as notary, cashier's checks, first box of checks, card replacement, incoming wires, cash advances, balance transfers, and overdraft transfers between members' own accounts. In 2022 we are eliminating the NSF fee and restructuring our Courtesy Pay service to further benefit members.

Our Membership Rewards program is one of the most important ways we give back to members. The program rewards our most engaged members with rate discounts on auto loans, bonuses on Certificates, and fee waivers for ATM fees and mortgage loans. In 2021 we added a new Membership Rewards tool to make it easier for members to see their relationship with us and identify ways to increase value by doing more with us. In April 2021 we added a 1% credit card cash bonus for our Ambassador members through Membership Rewards (up to \$25/month) and paid members \$830,688 for this bonus last year. Our Membership Rewards are always designed to provide the most benefits to members who are active and engaged, not those who have the most money.

We also introduced several enhancements to Online Banking in 2021, including a redesign for easier navigation with a new menu and quick links. We added the ability for members to unlock their Online Banking and mobile app logins without needing to contact us, and also to retrieve their login IDs (similar to a forgot password link).

Equally important to our financial standing is our member service, which we measure by continuously surveying members, reviewing and acting on all feedback. We ended 2021 with a personal-best Net Promoter Score (NPS) of 70.68. Based on global NPS standards, any score above 50 is considered excellent while 70 and above is considered "world class". The banking industry average is 34.

We're grateful for our staff and member/owners for another successful year.



Michael Tran Duff, Chair

SUPERVISORY COMMITTEE'S REPORT

The Supervisory Committee provides oversight of financial reporting and compliance activities and reports to Stanford FCU's Board of Directors. The Committee's primary responsibilities are:

- ◆ Determining that management has maintained effective internal controls to achieve the credit union's financial reporting requirements;
- ◆ Ensuring that accounting records accurately reflect the credit union's operations and results;
- ◆ Reviewing the policies and control procedures established by the Board of Directors;
- ◆ Ensuring that management practices and policies continue to safeguard member assets; and
- ◆ Assessing the policies and control procedures that safeguard against errors, conflicts of interest, and fraud.

Based on the financial statements included in this report and the Committee's oversight work, I can confidently report that Stanford FCU was financially sound and operated in compliance with all state and federal regulations during 2021. This assessment is supported by the regulatory examination performed by the National Credit Union Administration, as well as an external audit firm. The Committee also welcomes and reviews member comments and inquiries regarding Stanford FCU's operations and policies. Members may contact us at supervisorycommittee@sfcu.org.



Tana Hutchison, Treasurer

TREASURER'S REPORT

2021 was a solid financial year for Stanford FCU, as supported by the audited financial statements. Net income for the year ending December 31, 2021 was \$30.8 million with a Return on Assets of 0.83%. These earnings were achieved during a challenging year with tightening interest margins that reduced income. Due to the strength of our members we did not need to add as much to our provision for loan losses as we had in the first year of the pandemic, and we continued to operate efficiently to keep our costs low. Our fee income remains well below our peers as we strive for lower fees and we rebated \$535,692 in fees to our Partner and Ambassador members throughout the year.

The loan portfolio ended 2021 with a balance of just over \$2.4 billion (net of allowance), with record-breaking fundings of over \$1.1 billion. Stanford FCU funded new loans of over \$874 million in residential mortgages and home equity loans, \$134 million in new consumer loans, and \$120 million in new business loans. The level of funding indicates we were there to support the borrowing needs of thousands of members.

The credit union ended the year with \$3.86 billion in assets, representing 9.25% asset growth in 2021. Deposit balances grew 9.93% to \$3.1 billion.

STATEMENTS OF INCOME

For the years ended December 31, 2021 and 2020

INTEREST INCOME	2021	2020
Interest on Loans	\$ 80,551,060	\$ 80,511,585
Interest on Investments and Cash Equivalents	8,662,876	13,121,851
TOTAL INTEREST INCOME	89,213,936	93,633,436

INTEREST EXPENSE		
Dividends Paid on Members' Shares	10,246,503	17,833,384
Interest on Borrowed Funds	7,372,105	8,421,072
TOTAL INTEREST EXPENSE	17,618,608	26,254,456
NET INTEREST INCOME	71,595,328	67,378,980
Provision for Loan Losses Expense	800,000	7,860,000
NET INTEREST INCOME After Provision for Loan Losses	70,795,328	59,518,980
Other Non-Interest and Fee Income	10,759,757	12,896,519
TOTAL NET INTEREST AND FEE INCOME	81,555,085	72,415,499

GENERAL AND ADMINISTRATIVE EXPENSES		
Compensation and Benefits	32,020,598	29,150,390
Office Operations and Occupancy	9,642,712	9,213,739
Other Operating Expenses	9,094,826	8,206,172
TOTAL OPERATING EXPENSES	50,758,136	46,570,301

NET INCOME		
TOTAL NET INCOME	30,796,949	25,845,198
RETURN ON AVERAGE ASSETS	0.83%	0.80%

GENERAL CAPITAL REQUIREMENTS			
Amount Required to Be Classified as "Adequately Capitalized"	6.00%	231,429,458	211,836,897
Amount Required to Be Classified as "Well Capitalized"	7.00%	270,001,035	247,143,047
ACTUAL REGULATORY NET WORTH		341,849,151	311,052,202
		8.86%	8.81%

STATEMENTS OF FINANCIAL CONDITION

For the years ended December 31, 2021 and 2020

ASSETS	2021	2020
Cash and Cash Equivalents	\$ 667,663,178	\$ 607,517,090
Investments	703,108,862	757,227,656
Loans, Net of Loan Loss Allowance	2,430,294,132	2,113,440,244
Accrued Interest Receivable on Loans	7,405,505	7,669,801
Property & Equipment, Net of Depreciation	14,317,115	15,719,756
National Credit Union Share Insurance Fund Deposit	24,238,092	22,354,524
Other Assets	10,130,757	6,685,882
TOTAL ASSETS	3,857,157,641	3,530,614,953
LIABILITIES & EQUITY		
MEMBERS' SHARES		
Share Drafts	917,092,180	824,302,051
Regular Shares	705,582,631	599,689,935
IRA Shares	11,981,221	11,996,602
Health Savings Accounts	15,391,818	15,256,630
Share Certificates	776,380,393	760,708,656
IRA Certificates	36,324,439	40,699,351
Money Management Accounts	647,555,535	576,757,302
TOTAL MEMBERS' SHARES	3,110,308,217	2,829,410,527
Accrued Expenses and Other Liabilities	14,845,099	14,289,922
Borrowed Funds	385,000,000	365,000,000
TOTAL LIABILITIES	3,510,153,316	3,208,700,449
MEMBERS' EQUITY		
Retained Earnings, Substantially Restricted	341,849,151	311,052,202
Accumulated Other Comprehensive Income/(Loss)	5,155,174	10,862,302
TOTAL MEMBERS' EQUITY	347,004,325	321,914,504
TOTAL LIABILITIES & EQUITY	3,857,157,641	3,530,614,953



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