



Stanford  
FEDERAL CREDIT UNION

# 2022 ANNUAL REPORT



Federally Insured by NCUA

## PRESIDENT & BOARD CHAIR'S REPORT

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Joan Opp, President/CEO

*Now more than ever, it is valuable for you to know that your credit union is safe and sound, with high performance. Despite a very volatile economic period, Stanford Federal Credit Union finished 2022 with strong capital, strong liquidity, strong membership growth with a deep core deposit base and above peer profitability. We delivered new features and functionality to our members and achieved a record high score from our member service surveys.*

Membership grew 7.4% and we ended 2022 with just under 86,000 members. We grew our active and engaged members to almost 36,000, which represents approximately 42% of total members—meaning our members are utilizing us for their financial transactions. Our Net Worth Ratio improved from 8.86% to 9.50% as a result of better-than-expected earnings and slightly slower asset growth. In December we achieved a milestone of \$4 billion in assets.



Shirley Everett, Board Chair

One of the reasons Stanford FCU is able to offer strong value to our members is because we closely manage our Operating Expenses. For 2022 the Operating Expense Ratio was 1.38%, which is well below our peers. As liquidity in general was challenging in financial services, our deposits declined slightly (2.68%) due in part to record levels of member tax payments and increased competition for deposits including Federal Treasuries and T-Bills. As rates increased at a record pace during the second half of 2022, Stanford FCU adjusted our deposit rates to remain competitive. Our members have responded, and we will continue to ensure our rates are competitive. Treasury rates have pulled back and we hope our members come back to Stanford FCU for strong returns and with the confidence their funds are safe. We have more information about our finances on our website for ease of access at [sfcu.org/secure](https://sfcu.org/secure).

Mortgage originations increased along with interest rates in the first half of the year as home buyers rushed to beat rising rates, while refinances slowed significantly. Higher rates for all loan categories contributed to stronger earnings in 2022, and the total interest income on loans was \$96 million—11% ahead of budget. Loan balances grew 24% and we ended the year \$344 million over goal.

Your credit union has always been a high value, low-fee solution for our members—this is a strategic priority for us. To strengthen this position, in 2022 we eliminated the Non-Sufficient Funds (NSF) fee to save our members approximately \$903,000 per year. We reversed over \$610,000 in ATM, wire transfer and service fees for engaged members who actively utilize their accounts. We continue to keep our fees minimal, and unlike most financial institutions we do not charge common fees such as notary service, cashier's checks, first box of checks, card replacement, incoming wires, cash advances, balance transfers, foreign transactions, and overdraft transfers between members' own accounts.

In 2022 we added several new products and services to benefit our members. We replaced our Pay A Friend service with the more recognizable and widely used Zelle® and partnered with NYDIG to allow members to buy and sell bitcoin through Online Banking and the mobile app. We introduced a new Tech rewards credit card and adjusted benefits on other cards adding extra rewards for purchases at Amazon, Google and Apple, and launched a Lightning Loan for pre-approved members to instantly drop funds into their accounts.

To better serve members, we implemented digital issuance of our credit and debit cards for immediate use, upgraded our eStatement platform, launched virtual appointments that can be scheduled in advance, and made ongoing upgrades to Online Banking and the mobile app, such as auto-focus for check deposits, a new look and feel, and more self service functionality. We have a regular pipeline of initiatives to continue to enhance the digital functionality within Online Banking for members.

To educate members on fraud trends and help members prevent fraud, we added ID Navigator by NortonLifeLock™ as a new benefit for all members with debit and credit cards, and launched a monthly fraud education email series to provide important tips and information. We also expanded fraud and security tips on our website.

Member surveys are one of many ways we ensure that we're listening to our members and acting on your feedback, and we continuously survey our members. We ended 2022 with a new personal-best Net Promoter Score (NPS) of 71.49. Based on global NPS standards, any score above 50 is considered excellent. The banking industry average is 34. In addition, readers of The Peninsula News voted Stanford FCU as the Best Credit Union on the Peninsula in 2022. More importantly, the continuous surveying of members provides us with ongoing feedback on our efforts to ensure our members are Priority One!

We would both like to express significant appreciation to our staff and member/owners for another successful year.





Jessica Kennedy, Chair

## SUPERVISORY COMMITTEE REPORT

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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 2022. This assessment is supported by the regulatory examination performed by the National Credit Union Administration, the independent financial audit performed by the accountancy firm of CliftonLarsonAllen, LLP, as well as internal audits conducted by the accounting firm of Crowe, LLP. 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](mailto:supervisorycommittee@sfcu.org).

## TREASURER'S REPORT

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2022 was another solid financial year for Stanford FCU, as supported by the audited financial statements. Net income for the year ending December 31, 2022 was \$38.7 million with a Return on Assets of 0.98%. Earnings were strong in 2022 as loan and investment rates increased and our cost of funds lagged slightly behind until the fourth quarter. Operating expenses were also low as we continue to manage expenses as a strength of our financial performance. Our fee income remains well below our peers as value to members is a strategic priority.

The loan portfolio ended 2022 with a balance of just over \$3 billion (net of allowance) with 24% growth. Stanford FCU funded new loans of nearly \$750 million in residential mortgages and home equity loans, \$198 million in new consumer loans, and \$130 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 \$4 billion in assets, representing 4% asset growth in 2022. Our year-end net worth ratio of 9.50% exceeded the NCUA's minimum requirement of 7.00% for a credit union to be considered well capitalized to ensure safety and soundness.



Tana Hutchison, Treasurer

## STATEMENTS OF INCOME

For the years ended December 31, 2022 and 2021

INTEREST INCOME	2022	2021
Interest on Loans	\$ 96,125,054	\$ 80,551,060
Interest on Investments and Cash Equivalents	18,330,362	8,662,876
<b>TOTAL INTEREST INCOME</b>	<b>114,455,416</b>	<b>89,213,936</b>

INTEREST EXPENSE		
Dividends Paid on Members' Shares	17,206,952	10,246,503
Interest on Borrowed Funds	11,173,027	7,372,105
<b>TOTAL INTEREST EXPENSE</b>	<b>28,379,979</b>	<b>17,618,608</b>
<b>NET INTEREST INCOME</b>	<b>86,075,437</b>	<b>71,595,328</b>
Provision for Loan Losses Expense	2,400,000	800,000
<b>NET INTEREST INCOME After Provision for Loan Losses</b>	<b>83,675,437</b>	<b>70,795,328</b>
Other Non-Interest and Fee Income	9,891,867	10,759,757
<b>TOTAL NET INTEREST AND FEE INCOME</b>	<b>93,567,304</b>	<b>81,555,085</b>

GENERAL AND ADMINISTRATIVE EXPENSES		
Compensation and Benefits	33,103,899	32,020,598
Office Operations and Occupancy	10,444,600	9,642,712
Other Operating Expenses	11,349,834	9,094,826
<b>TOTAL OPERATING EXPENSES</b>	<b>54,898,333</b>	<b>50,758,136</b>

NET INCOME		
<b>TOTAL NET INCOME</b>	<b>38,668,971</b>	<b>30,796,949</b>
<b>RETURN ON AVERAGE ASSETS</b>	<b>0.98%</b>	<b>0.83%</b>

GENERAL CAPITAL REQUIREMENTS			
Amount Required to Be Classified as "Adequately Capitalized"	6.00%	240,323,467	231,429,458
Amount Required to Be Classified as "Well Capitalized"	7.00%	280,377,378	270,001,035
<b>ACTUAL REGULATORY NET WORTH</b>		<b>380,518,122</b>	<b>341,849,151</b>
		<b>9.50%</b>	<b>8.86%</b>

## STATEMENTS OF FINANCIAL CONDITION

For the years ended December 31, 2022 and 2021

ASSETS	2022	2021
Cash and Cash Equivalents	\$ 336,024,638	\$ 667,663,178
Investments	590,542,343	703,108,862
Loans, Net of Loan Loss Allowance	3,017,754,342	2,430,294,132
Accrued Interest Receivable on Loans	9,979,733	7,405,505
Property & Equipment, Net of Depreciation	14,214,628	14,317,115
National Credit Union Share Insurance Fund Deposit	25,745,913	24,238,092
Other Assets	11,129,523	10,130,757
<b>TOTAL ASSETS</b>	<b>4,005,391,120</b>	<b>3,857,157,641</b>

LIABILITIES & EQUITY		
<b>MEMBERS' SHARES</b>		
Share Drafts	919,025,645	917,092,180
Regular Shares	666,261,374	705,582,631
IRA Shares	11,118,612	11,981,221
Health Savings Accounts	15,022,411	15,391,818
Share Certificates	810,877,130	776,380,393
IRA Certificates	33,927,964	36,324,439
Money Management Accounts	570,850,088	647,555,535
<b>TOTAL MEMBERS' SHARES</b>	<b>3,027,083,224</b>	<b>3,110,308,217</b>
Accrued Expenses and Other Liabilities	27,896,600	14,845,099
Borrowed Funds	600,000,000	385,000,000
<b>TOTAL LIABILITIES</b>	<b>3,654,979,824</b>	<b>3,510,153,316</b>

MEMBERS' EQUITY		
Retained Earnings, Substantially Restricted	380,518,122	341,849,151
Accumulated Other Comprehensive Income/(Loss)	(30,106,826)	5,155,174
<b>TOTAL MEMBERS' EQUITY</b>	<b>350,411,296</b>	<b>347,004,325</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>4,005,391,120</b>	<b>3,857,157,641</b>



**Stanford**  
FEDERAL CREDIT UNION

sfcu.org

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## BOARD OF DIRECTORS

Dr. Shirley Everett, Chair

Gregory Rosston, Vice Chair

Tana Hutchison, Treasurer

Dan Kolkowitz, Secretary

Curtis Feeny

Joan Opp

Jonathan Dreyfus

Neil Hamilton

Robert Reidy

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## ADVISORY BOARD

Augustin (Gus) Araya

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## EXECUTIVE STAFF

Joan Opp, President/CEO

Brian Thornton, SVP/Chief Lending Officer

Brian Zeitler, SVP/Chief Information Officer

Deena Otto, SVP/Chief Operating Officer

Lecia Roundtree, SVP/Chief People Officer

Paul Jockisch, SVP/Chief Financial Officer

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## SUPERVISORY COMMITTEE

Jessica Kennedy, Chair

Michael Tran Duff, Secretary

Agustin (Gus) Araya

Colleen Honigsberg

David MacKenzie

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## DIRECTOR EMERITUS

Dr. Frank Sarnquist

Jane Duperrault

Jerry Jobe

Michael Hindery

Timothy Warner