



Stanford
FEDERAL CREDIT UNION

2023 ANNUAL REPORT

Federally Insured by NCUA

PRESIDENT & BOARD CHAIR'S REPORT



Joan Opp, President/CEO

Stanford FCU ended 2023 on a positive note with strong earnings despite the economic climate. We had positive deposit growth during a year where many financial institutions reported deposit decreases. In the wake of bank failures last year (Silicon Valley Bank and First Republic Bank among others), we continue to focus on being a safe and secure institution you can trust with your savings. We are well capitalized at 10.09% net worth (vs. the well capitalized regulatory threshold of 7%) and manage our financial position in a conservative manner.

We grew our net membership by 2.86% in 2023, bringing the total number of members to 88,446. We continue to focus on initiatives to bring you more value from your Stanford FCU accounts. In 2023, we added a High Yield Spending account with a great rate for balances up to \$50,000. We introduced an easy direct deposit switching tool that allows you to transfer your direct deposit and automated payments to Stanford FCU in minutes. We also added an integration with Plaid, making it seamless to connect external accounts to your accounts at Stanford FCU.



Dr. Shirley Everett,
Board Chair

Deposits grew by \$75 million (2.5%) for a total of \$3.1 billion. While deposit growth of 2.5% is not as strong as what we typically achieve, positive growth in the economic climate of 2023 is a standout achievement. 2023 saw a shift away from savings and checking deposits (53% in 2022 to 46% in 2023) to higher paying certificates (28% in 2022 to 40% in 2023). We are pleased to see our members taking advantage of our great certificate rates; it's just one of the many ways we deliver more value to you.

Total interest expense was \$72 million, of which \$53 million was paid to members and \$19 million paid on money borrowed. Interest expense grew steadily as rates rose and we priced our deposit products to remain competitive and bring in balances.

The Prime Rate started 2022 at 3.25% and ended 2023 at 8.50%—one of the steepest rate increases in this short a time period in history. Despite the dramatic increase, our members continued to have loan needs and we met the demand with competitive rates.

In 2023 we added several new products and services to benefit our members with a focus on providing you with additional and expanded self-service features. Our AI-driven Chat can answer the most common member questions, while still giving you the option to speak with a human agent during working hours. We launched member self-service forms so that it's even easier to handle common requests like renewing a Certificate, requesting a Cashier's Check, or making a stop payment request through Online Banking and the mobile app. We created more educational videos to help members navigate new features in Online Banking and the mobile app.

Our Payments team has been hard at work to deliver more value to you with your accounts. Now you can donate to charities directly from your Stanford FCU account and track your donations through Givio. You can also use Prizeout (soon to be CashBack+) to get a bonus on gift cards from your favorite brands—a way to save money for purchases you routinely make. We launched Card Center in Online Banking and the mobile app to consolidate the many card functions available to you, providing you with a one-stop shop for managing your credit and debit cards.

Member surveys are one of many ways we ensure that we're listening to you and acting on your feedback. We ended 2023 with a high Net Promoter Score (NPS) of 76.2. Based on global NPS standards, any score above 50 is considered excellent. The banking industry average is 31.

We're grateful for another successful year! We wouldn't be where we are without the support of our staff and members like you. **We look forward to saying YES to your success again in 2024.**



Jessica Kennedy,
Supervisory Committee 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 2023. This assessment is supported by the regulatory examination performed by the National Credit Union Administration, an independent financial audit performed by an independent accountancy firm, as well as internal audits. 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,
Board Treasurer

TREASURER'S REPORT

2023 was another solid financial year for Stanford FCU, as supported by our financial statements. Net income for the year ending December 31, 2023 was \$37.9 million with a Return on Assets of 0.93%. Operating expenses came in lower than expected by approximately \$700,000, which translates to a ratio of 1.46% 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.

Total loans ended the year at \$3.2 billion, which is an annual growth of nearly \$200 million or 6.5%. Stanford FCU funded new loans of over \$650 million, including \$497 million in residential mortgages and home equity loans, \$98 million in consumer loans, and \$55 million in business loans. The level of funding indicates we were there to support the borrowing needs of thousands of members.

The credit union grew assets \$141 million and ended the year with \$4.1 billion in assets. Stanford FCU is in a solid financial position with our strong net worth of 10.09%.

STATEMENTS OF FINANCIAL CONDITION

For the years ended December 31, 2023 and 2022

ASSETS	2023	2022
Cash and Cash Equivalents	\$ 453,783,007	\$ 336,024,638
Investments	394,806,082	590,542,343
Loans, Net of Loan Loss Allowance	3,214,129,245	3,017,754,342
Accrued Interest Receivable on Loans	12,149,222	9,979,733
Property & Equipment, Net of Depreciation	14,075,466	14,214,628
National Credit Union Share Insurance Fund Deposit	25,914,572	25,745,913
Other Assets	31,376,378	11,129,523
TOTAL ASSETS	4,146,233,972	4,005,391,120
LIABILITIES & EQUITY		
MEMBERS' SHARES		
Share Drafts	846,969,537	919,025,645
Regular Shares	563,955,980	666,261,375
IRA Shares	10,379,628	11,118,612
Health Savings Accounts	11,461,952	15,022,410
Share Certificates	1,212,933,995	810,877,131
IRA Certificates	39,274,041	33,927,964
Money Management Accounts	416,726,557	570,850,087
TOTAL MEMBERS' SHARES	3,101,701,690	3,027,083,224
Accrued Expenses and Other Liabilities	22,760,439	27,896,600
Borrowed Funds	625,000,000	600,000,000
TOTAL LIABILITIES	3,749,462,129	3,654,979,824
MEMBERS' EQUITY		
Retained Earnings, Substantially Restricted	418,390,368	380,518,122
Accumulated Other Comprehensive Income/(Loss)	(21,618,525)	(30,106,826)
TOTAL MEMBERS' EQUITY	396,771,843	350,411,296
TOTAL LIABILITIES & EQUITY	4,146,233,972	4,005,391,120

Certain prior year amounts have been reclassified to conform to the current year presentation of such items. These reclassifications did not result in any change to net income or members' equity.

STATEMENTS OF INCOME

For the years ended December 31, 2023 and 2022

INTEREST INCOME	2023	2022
Interest on Loans	\$ 128,426,334	\$ 96,125,054
Interest on Investments and Cash Equivalents	36,987,169	18,330,362
TOTAL INTEREST INCOME	165,413,503	114,455,416

INTEREST EXPENSE		
Dividends Paid on Members' Shares	52,992,058	17,206,952
Interest on Borrowed Funds	18,715,939	11,173,027
TOTAL INTEREST EXPENSE	71,707,997	28,379,979
NET INTEREST INCOME	93,705,506	86,075,437
Provision for Loan Losses Expense	4,800,000	2,400,000
NET INTEREST INCOME After Provision for Loan Losses	88,905,506	83,675,437
Other Non-Interest and Fee Income	9,385,136	9,891,867
TOTAL NET INTEREST AND FEE INCOME	98,290,642	93,567,304

GENERAL AND ADMINISTRATIVE EXPENSES		
Compensation and Benefits	37,480,767	33,103,899
Office Operations and Occupancy	12,234,481	10,820,364
Other Operating Expenses	10,703,148	10,974,070
TOTAL OPERATING EXPENSES	60,418,396	54,898,333

NET INCOME		
TOTAL NET INCOME	37,872,246	38,668,971
RETURN ON AVERAGE ASSETS	0.93%	0.98%

GENERAL CAPITAL REQUIREMENTS			
Amount Required to Be Classified as "Adequately Capitalized"	6.00%	248,774,038	240,323,467
Amount Required to Be Classified as "Well Capitalized"	7.00%	290,236,378	280,377,378
ACTUAL REGULATORY NET WORTH		418,390,368	380,518,122
		10.09%	9.50%

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