



Star One Credit Union

Federally insured by NCUA

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ANNUAL REPORT

Who we are

Star One Credit Union is Silicon Valley's largest, member-owned financial institution. We've been serving Santa Clara County for over **57 years** with more than **91,700** members worldwide. With Star One, you can expect great personal service, **above-average yields** on deposits, and **below market-rates on loans**.



OUR MISSION

Help members improve their lives by delivering valuable financial services.



91.7

THOUSAND
members

Worldwide

As a member of Star One
Credit Union, you are part
of Silicon Valley's
largest, member-owned
financial institution.

Star One serves
more than **91,700**
members worldwide.



6.6

BILLION
dollars



Assets

As a member-owned financial institution, we are focused on providing long-term financial solutions to all of our members.

As a result, we are able to return our profits back to you in the form of money saving benefits. With assets over **\$6.6 billion**,

Star One is the largest credit union based in Silicon Valley and ranked ninth in total assets among more than 6,960 credit unions nationally.

97.1

PERCENT
satisfaction

Commitment

As a testament to Star One's commitment to member service, our satisfaction ratings are consistently high. According to surveys by **Raddon Financial Group**, over **97% of members** say they are satisfied or extremely satisfied with Star One, and over 75% say they would **refer** someone to Star One.



Achievement

“Excellent”

Star One was awarded the highest financial rating of A+

— WEISS RATINGS

“Superior”

Star One was awarded the highest financial rating

—IDC FINANCIAL PUBLISHING, INC.

“★★★★★”

Rated Superior with five stars based on safety and financial soundness

—BAUER FINANCIAL, INC.



A man in a white shirt is carrying a young boy in a light blue shirt on his shoulders. They are both smiling and looking upwards. The man is holding a large blue pinwheel on a wooden stick. The background is a bright blue sky and a beach with waves in the distance.

Exemplary

Exemplary member service is more than a concept at Star One. It's inherent to our culture and in the way we transact business with members. Over the years, we have been dedicated and committed to delivering superior **products** and services to help **improve** our members' financial lives.



I wanted to thank everyone at **Star One Credit Union**, especially Ela for her outstanding service. In the past year, it was discovered that my former employer had been embezzling from my payroll for several years.

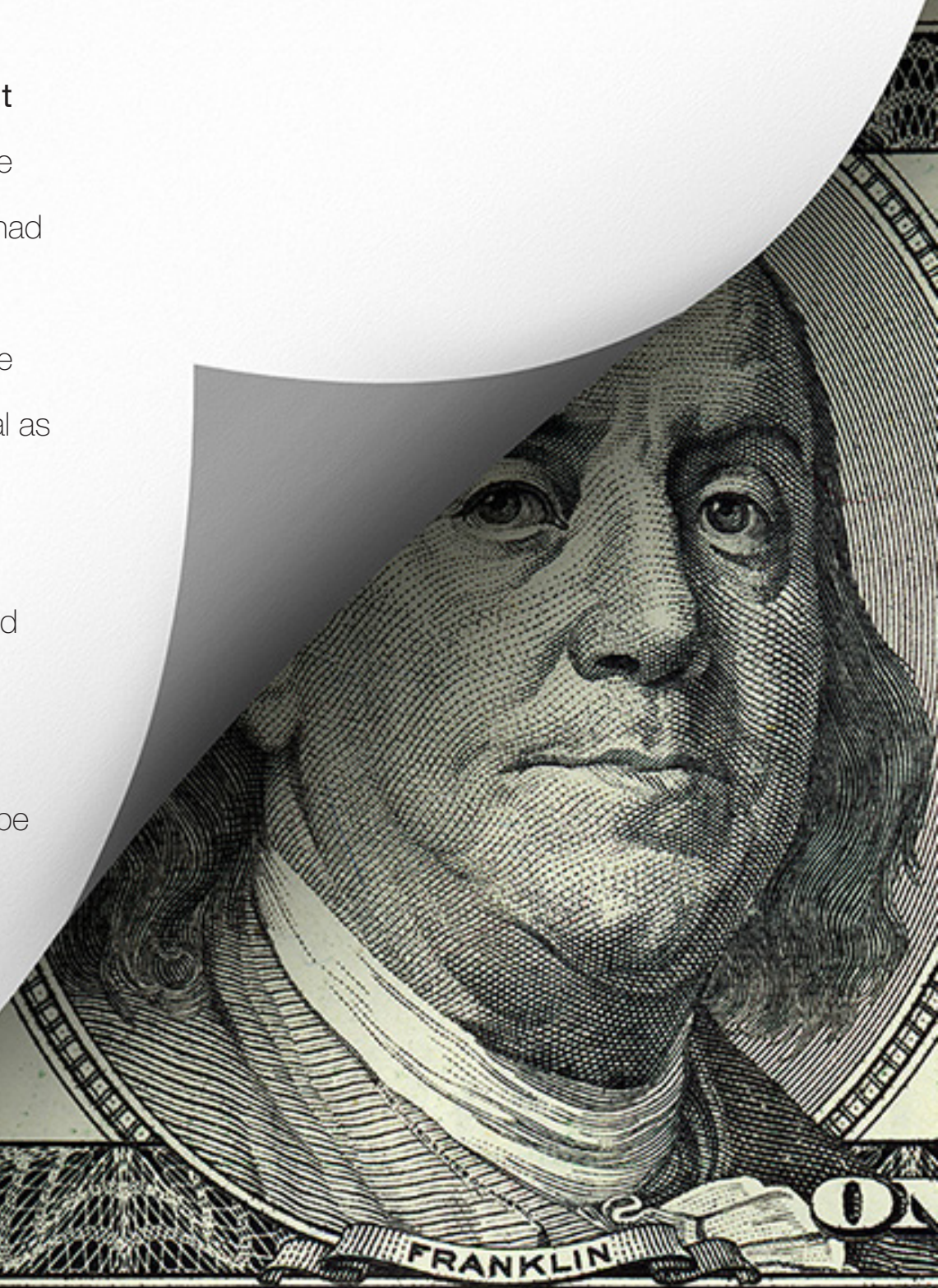
As a result, I had a potentially large obligation to the State of California and the IRS. Ela was absolutely professional as well as sympathetic to my situation.

Due to her timely efforts and diligence in producing my deposit records, I was able to prove my case and avoid financial catastrophe. I have had my hearing with the State of California, and today I received my settlement check. With confidence and a smile on my face, I will be depositing this check to my **Star One Account**.

Thank you Star One and thank you Ela for your outstanding service!

Best regards,

Kevin M.





“ I have been a member for longer than I can remember.

Recently, I had the pleasure of working with Monica. I cannot say enough good things about her. Last September, she helped me complete an **Auto Loan** for a used vehicle.

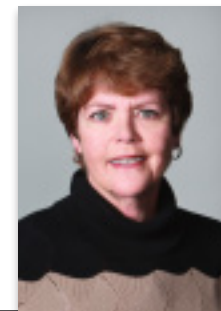
She walked the sellers and myself through all the forms and documents and ensured we understood the process thoroughly.

Even after my auto purchase was completed, Monica continued to provide superior customer service by following up, and answering all of my questions (often, more than once). Plus, she assisted me in opening a **Checking Account**. Please continue to hire employees like Monica. It really sets you apart from other credit unions and banking institutions (well, your rates and services are awesome, too).

Sincerely,

Mirla R. ”

BOARD REPORT



GAE ADAMS
CHAIR

Star One is committed to improving the lives of our members by delivering **valuable financial products and services** that fulfill the needs of our membership and giving back to the community. In 2013 Star One achieved steady growth in membership, deposits and loans. Members continue to find our **rates** to be consistently competitive without confusing terms or many of the account fees charged by others.

Star One has grown to serve 91,700 members throughout the nation. Member satisfaction is a key component to our continued success and has increased to 97.1% in 2013. Throughout the year we

monitor member attitudes and continue to achieve service quality scores that outpace our peers. Recent surveys place us in the 91st percentile for members who said they were **very satisfied** with our service. Through our commitment to member service and staff training, we consistently achieve higher service scores, better member service and strong member loyalty. Star One employees rank higher than our peers for staff knowledge, accuracy and timeliness of service.

Our conservative management strategies and policies, the skills of our employees, and the dedication of our Board and

Committees all combine to provide our members with valuable financial products that meet their changing needs. As many other financial institutions continue to struggle with high loan delinquency and low growth in loans and deposits, Star One continues to thrive.

Members can conveniently access their accounts at our five full-service branches in Santa Clara County, 6,700 Shared Branches in 48 states and five foreign countries and 30,000 surcharge-free ATMs of which 9,000 accept deposits. They may also use our full service **Online Banking** and **Mobile Banking** systems or speak with our Call Center staff.

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BOARD REPORT

Continued

During 2013, many members took advantage of record low **auto loan** and **mortgage loan rates**. Star One offers conventional real estate loans and does not offer or participate in subprime mortgage lending. Our conservative lending policies provide good value to our membership while maintaining balanced returns and risk levels for future growth of the Credit Union.

Financial education is also a key initiative to helping members achieve their financial goals. Star One sponsored 16 different educational workshops throughout the year. These free workshops were well attended by nearly 500 members, their families and prospective members. They included such topics as First Time Home Buyer, Teens and Money, Building a Better Budget, Identity Theft Prevention, and Retirement Planning & IRAs to name a few. Star One works with the Chambers of Commerce in more than 10 different cities throughout Santa Clara



County. Through event **sponsorship**, program development and business mixers, Star One is a leading member within the business community.

Star One donated more than \$100,000 to local charities and non-profit organizations throughout Santa Clara County. Employees and volunteers donated time and raised more than \$22,000 in cash and non-cash donations for many local community groups and non-profit organizations. Some of the groups included the Alzheimer's Association, Autism Speaks,

Family Giving Tree, Hope Services, Lupus Foundation of Northern California, Santa Clara Family Health Foundation, Second Harvest Food Bank, Special Olympics, Toys for Tots and VA Palo Alto Health Care System, among others.

Star One is one of the largest and strongest credit unions in the nation. Our commitment to serve the financial needs of our membership has contributed to our success for over 57 years. The Board and employees look forward to serving our members now and in the future ■

PRESIDENT'S REPORT



RICK HELDEBRANT
PRESIDENT & CEO

The staff and volunteers of Star One are committed to our mission statement, "Help members improve their lives by delivering valuable financial services." Through our commitment to our members, Star One has grown to the 9th largest credit union in the nation, and consistently achieves some of the highest efficiency, membership satisfaction and financial ratings of all our peer credit unions. Existing members continue to refer many of their friends and families. As our online forms become more user-friendly, more members are joining through the online application on our website. A record number of members applied and processed their loan requests through our website in 2013.

We are achieving strong growth and utilization of our electronic services including **ezDeposit, eStatements, Online Banking, Bill Pay** and **Mobile Banking**. Our five Star One branches continue to see strong activity by Bay Area members. Many members outside the area use our 6,700 Shared Branches. Online Banking and Bill Pay usage continues to grow. Recent upgrades to the Mobile Banking product now provide greater convenience and accessibility to members through their smartphones and tablets. Bauer Financial Inc., Weiss Ratings and IDC Financial Publishing, Inc. continue to recognize Star One with their highest ratings. Our focus on expense control, providing the best quality products and

services and listening to our member suggestions all contribute to our success. Star One members continue to bank with us longer than customers of other financial institutions.

The interest rate environment has made for a challenging business environment during the past few years. As we balance the income side of investments and loans with deposits, we have seen our margins become squeezed. We balance member needs and risk on loans while providing the lowest possible loan rates and the highest possible deposit rates to our members. We continue to pay competitive deposit rates while maintaining our profitability for long-term growth and sustainability. The economy has

Continues

PRESIDENT'S REPORT

Continued

been particularly challenging in terms of loans. Low rates and uncertainty in the economy has had a dramatic effect on loan originations and servicing. Through all this, we are seeing strong growth in real estate loans and auto loans. Loan delinquencies and charge-offs decreased for the year, remaining well below our local and national peers.

In 2013, Star One granted over \$794 million in loans to members. Over 896 members took advantage of our loan modification process to reduce their mortgage rates resulting in significant savings in interest charges and monthly payments. We processed more than \$1.1 billion in new loans and modifications during the year. In September, we introduced Star One's complimentary **Personal Auto Shopper Service**, to help members find their new or used vehicle. **Student loans** continue to grow and provide good value to member families and their college-age family members. Because of sound lending and investment policies we have grown to be one of the strongest credit unions in the nation.

The surveys and research conducted



throughout the year gauge member attitudes for quality service, product usage and future product offerings. This past year, Star One ranked in the 100th percentile for average deposit and loan balances compared to other similar credit unions. This is a testament to the value we deliver to our members. We continue to see existing members activate additional products and services. Members are staying with us longer and have more loans and deposits with us as compared to other credit unions. This is a key focus of our long-term strategy. Through various surveys we encourage member feedback and suggestions.

Member suggestions have led to product enhancements and modifications to our delivery channels and service programs.

Star One stands apart from many other financial service providers by delivering competitively priced products, providing higher quality service and looking for ways to better serve our members. As a cooperative institution, we rely on our member-owners to refer fellow family members, friends, and coworkers, to use more of our products and services while providing feedback on how we can better serve their needs. The staff, Board and volunteers are committed to serve our members and deliver valuable financial products ■

TREASURER'S REPORT



SCOTT DUNLAP
TREASURER

Star One achieved another strong year financially. Assets grew 4.7% from \$6.30 billion in 2012, to \$6.60 billion in 2013. The Return on **Assets** for 2013 was 0.83%. Our Net Worth ratio remains strong at 11.3%, well above the 7.0% ratio that our federal regulator considers to be well capitalized.

Membership increased 1.2% with the majority of new members joining from Santa Clara County. More than 51% joined from our community charter,

another 41% joined through family members, while 7% joined through Lockheed Martin, Yahoo! and our other member companies. Over the past few years we have seen very strong growth in new members coming from the Santa Clara County region.

Deposits grew \$213 million, up 4.9% from \$4.36 billion in 2012, to \$4.57 billion in 2013. Checking increased 12.4% to \$240 million. Money Market Savings grew 5.6% to \$3.74 billion. Star

One continues to pay higher deposit rates than most other financial institutions, and does so without the gimmick products many other institutions offer.

Loans grew 4.6%, to \$2.88 billion, the majority of the growth was in mortgages. Many new and existing members took advantage of the **lower mortgage rates** and lower home prices. **Student loans** grew \$10 million to \$40.7 million. Auto loans increased 20.8% to \$147.9 million as many members purchased vehicles.

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TREASURER'S REPORT

Continued

Consumer loan delinquency decreased from 0.17% in 2012 to 0.12% in 2013. Our loan portfolio continues to perform much better than other credit unions and banks both locally and nationally.

Our investment portfolio provides strong returns while maintaining safety and security. Star One does not invest in subprime debt. Borrowings increased from \$1.184 billion in 2012, to \$1.270 billion in 2013. Star One does not borrow funds to leverage more earnings, but rather to mitigate the interest rate risk

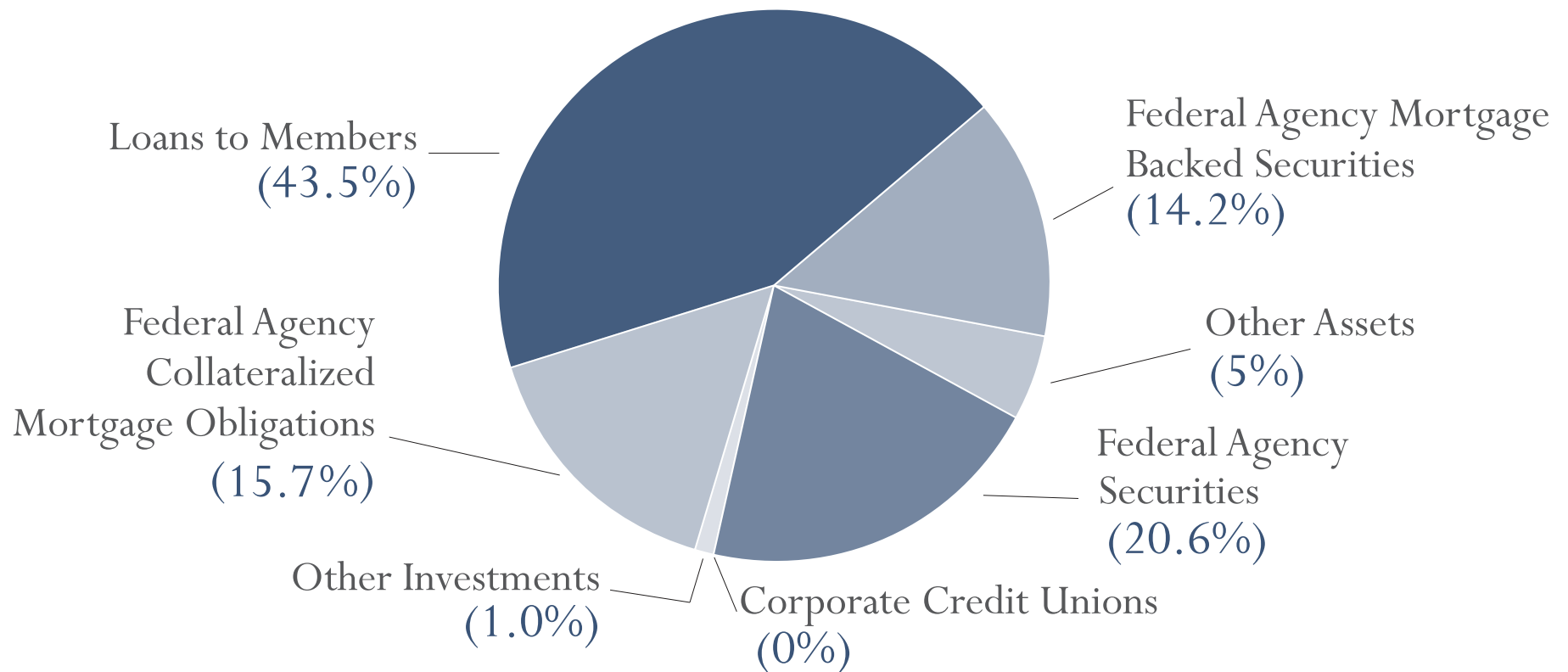


associated with long-term fixed rate mortgages held in portfolio. Star One's investments are all backed either implicitly or explicitly by the US government. Our loyal membership and their extensive use of products, services, and

automated delivery channels provide the resources for Star One to thrive in difficult times and deliver lower priced loans, higher yielding deposits, and automated services with no or low fees ■

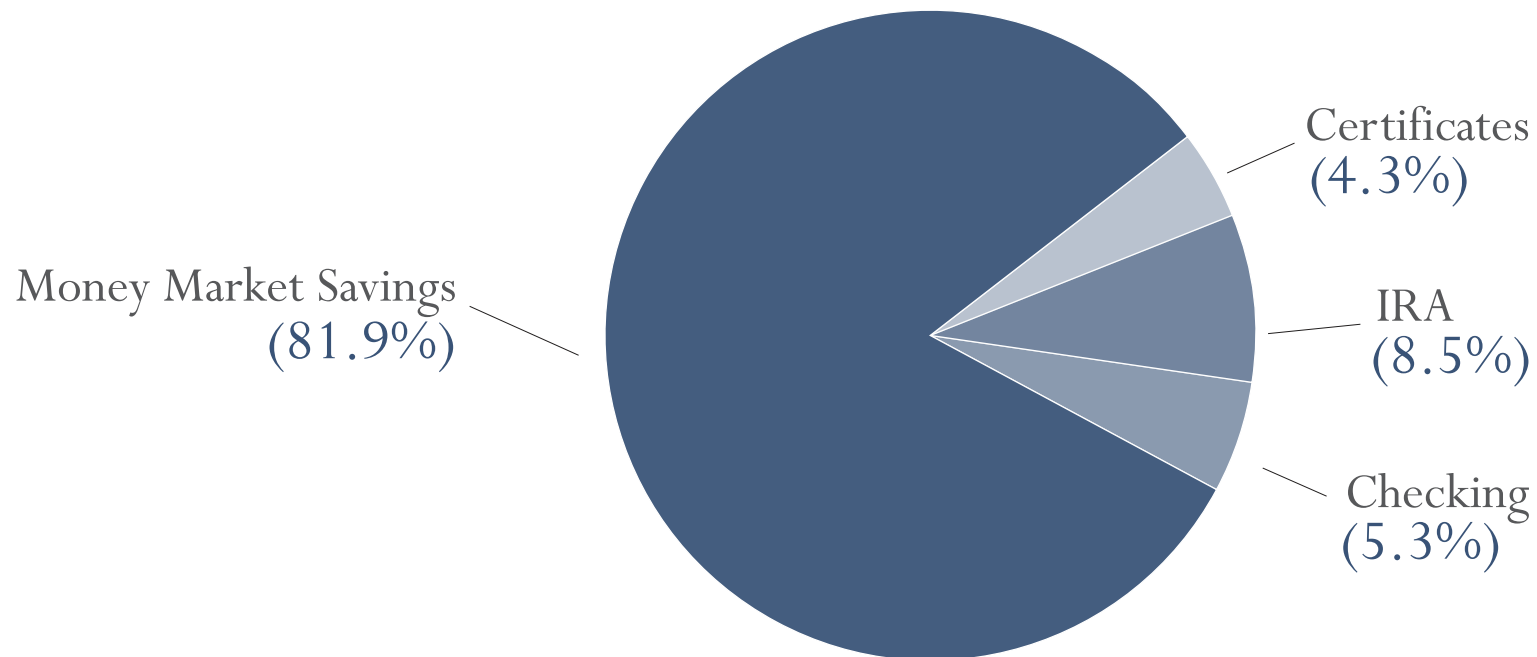
Financial Information

ASSETS



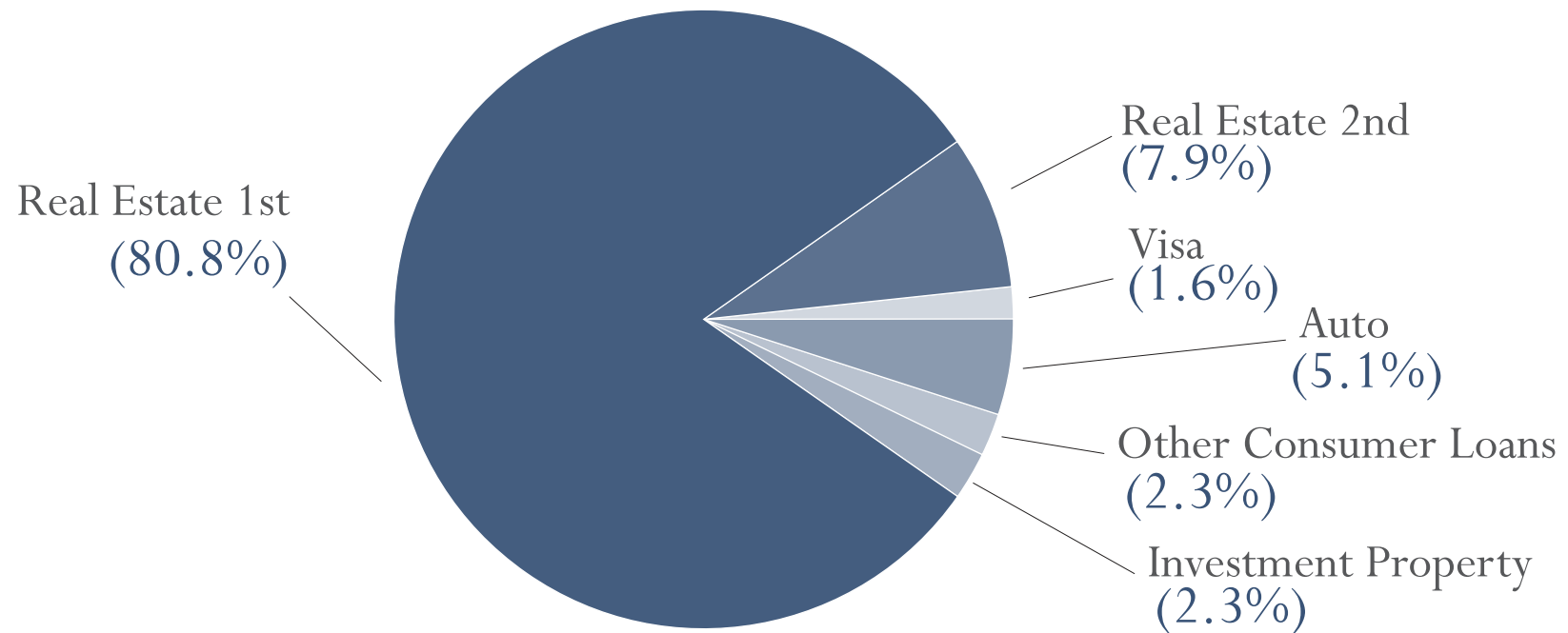
Financial Information

SAVINGS



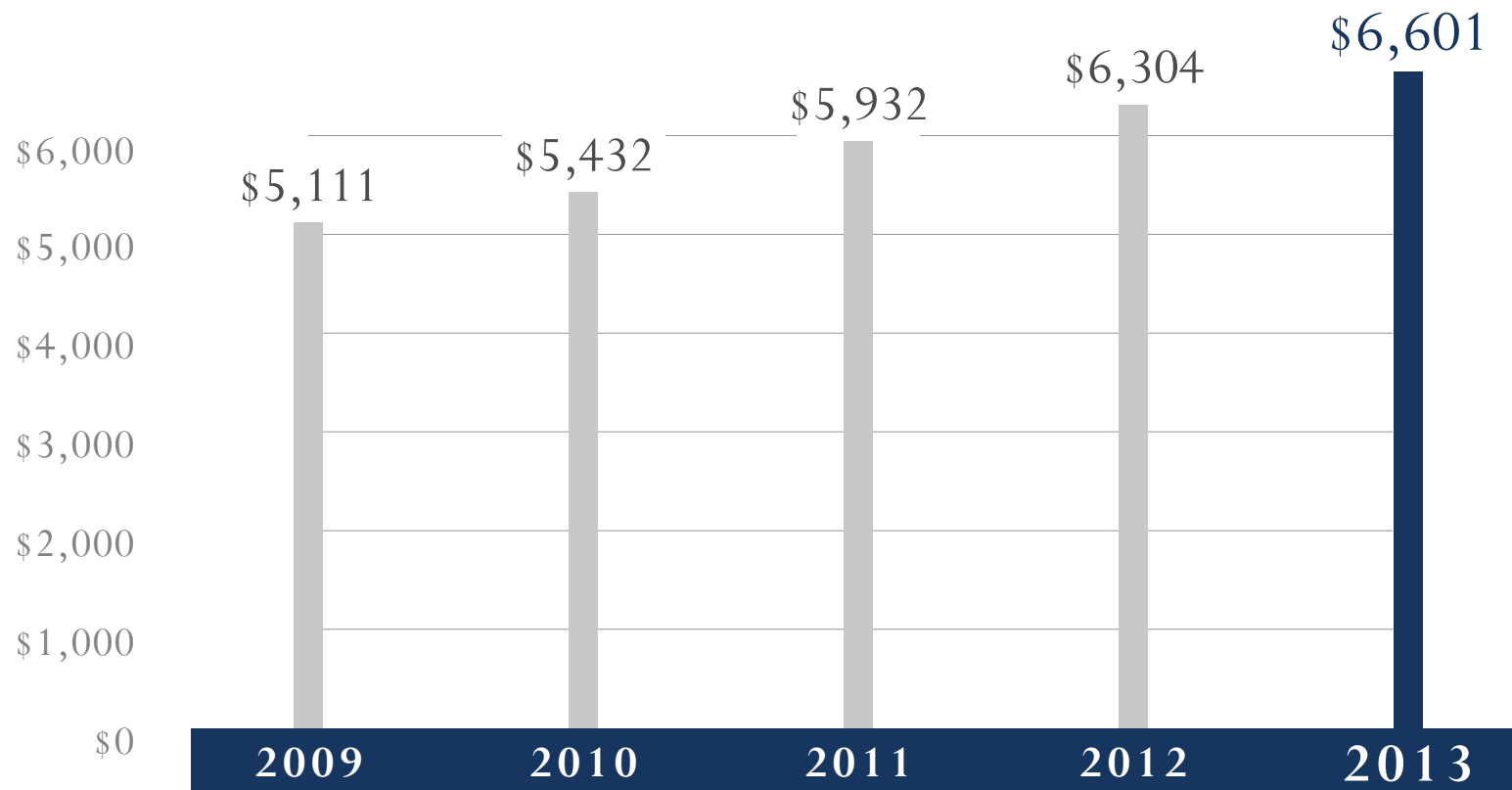
Financial Information

LOANS



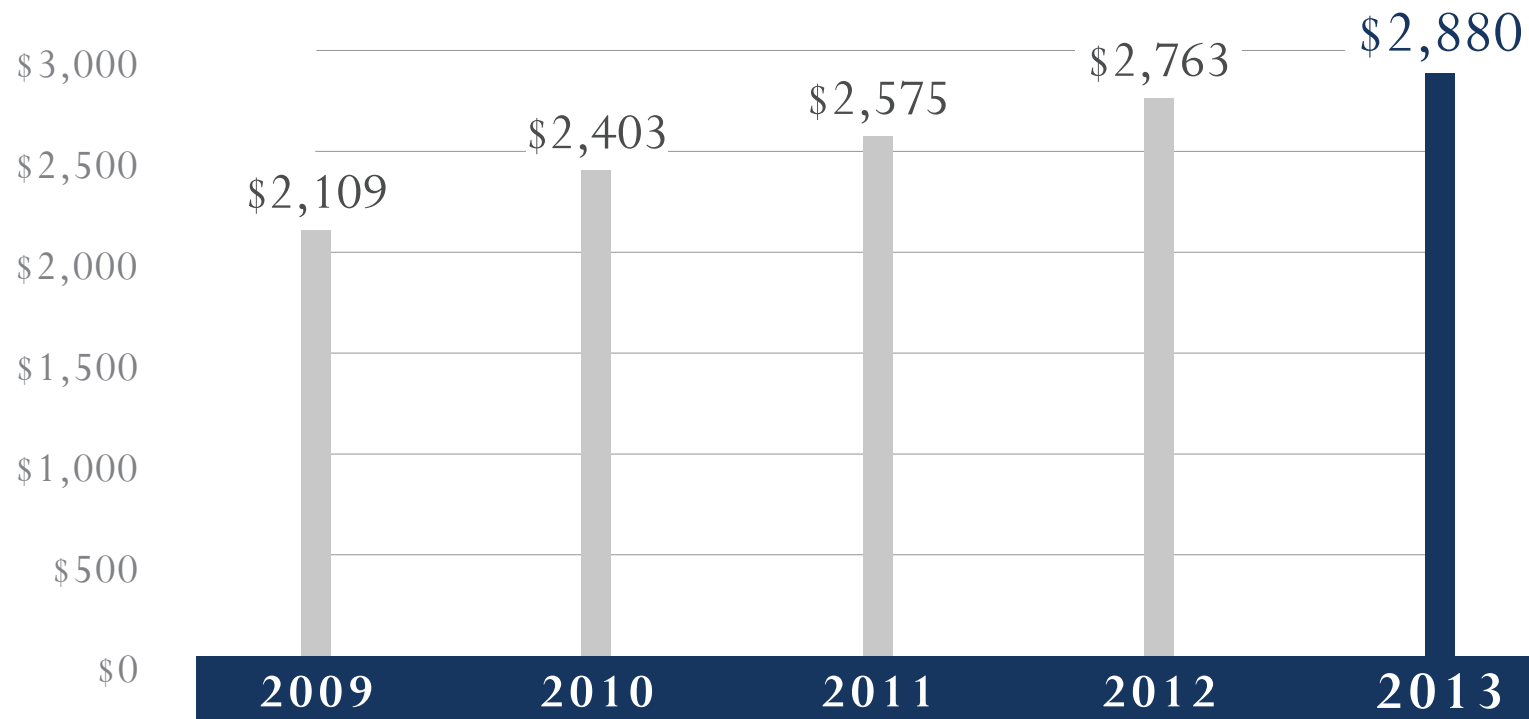
Financial Highlights

TOTAL ASSETS IN MILLIONS



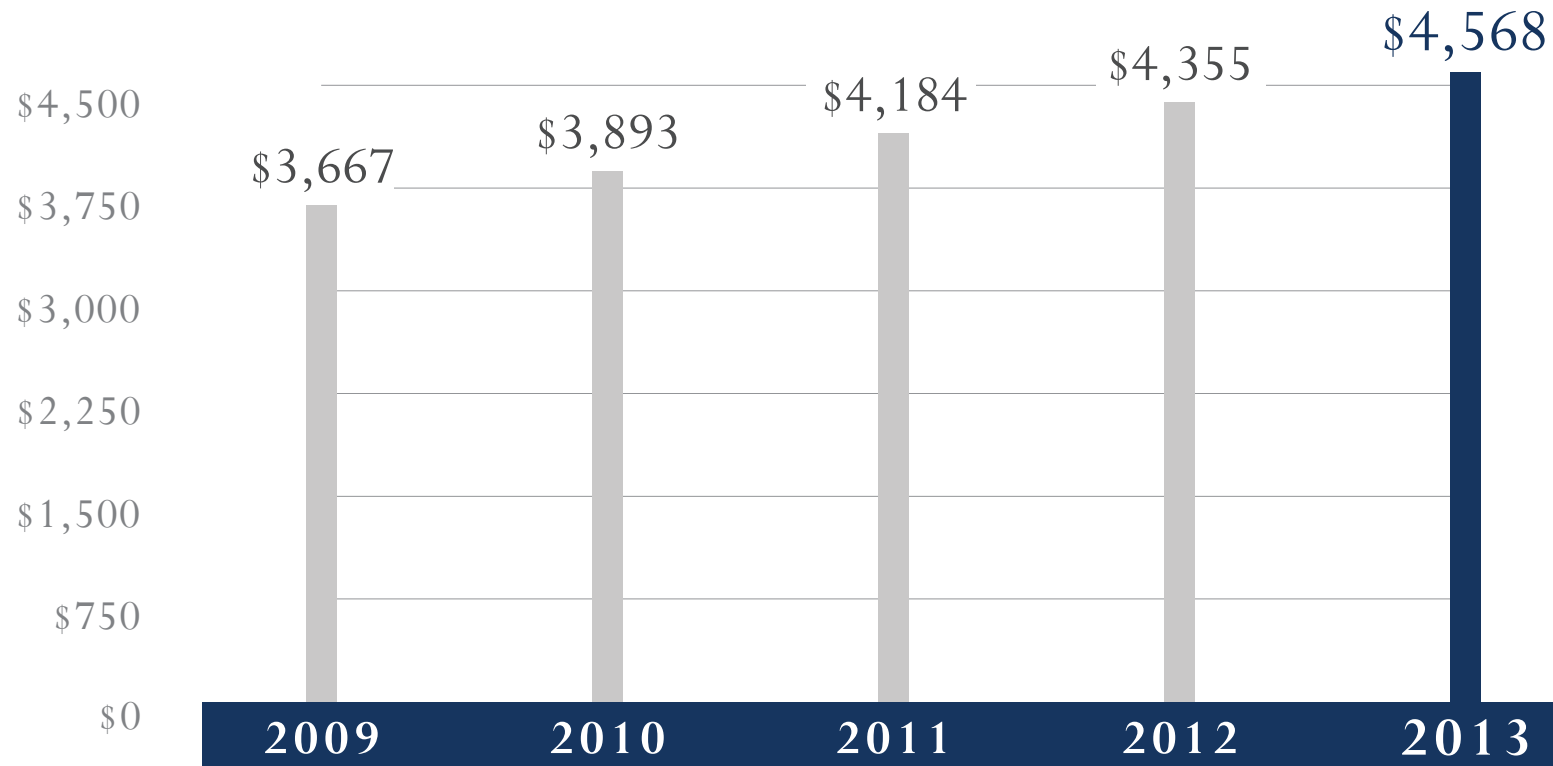
Financial Highlights

TOTAL LOANS IN MILLIONS



Financial Highlights

TOTAL SAVINGS IN MILLIONS



Comparative Financial Results

YEAR END SUMMARY IN THOUSANDS

	2013	2012	% Change
Total Assets	\$6,601,207	\$6,304,274	4.7%
Member Savings and Certificate Accounts	\$4,568,302	\$4,355,321	4.9%
Loans to Members	\$2,872,448	\$2,752,369	4.4%
Delinquent Loans	\$1,870	\$3,520	-46.9%
Member Equity	\$725,508	\$716,766	1.2%
Cash and Investments	\$3,620,641	\$3,453,908	4.8%
Dividends Paid to Members	\$25,729	\$26,758	-3.8%

STATEMENT OF FINANCIAL CONDITION IN THOUSANDS

ASSETS	2013	2012
Cash and Investments	\$3,620,641	\$3,453,908
Loans to Members	\$2,872,448	\$2,752,369
Land, Building & Equipment	\$11,669	\$12,231
Accrued Interest Receivable	\$16,787	\$16,836
Deposit-Share Insurance Fund	\$39,338	\$38,340
All Other Assets	\$40,324	\$30,590
TOTAL ASSETS	\$6,601,207	\$6,304,274
LIABILITIES & MEMBER EQUITY	2013	2012
Member Savings & Certificate Accounts	\$4,568,302	\$4,355,321
Accounts Payable	\$5,107	\$8,936
Borrowed Funds	\$1,269,934	\$1,184,417
Regular Reserves	\$56,851	\$56,851
Undivided Earnings	\$687,206	\$633,718
Unrealized Gain (Loss) on Investments	(\$10,135)	\$43,706
Accumulated Other Comprehensive Income	(\$8,413)	(\$17,508)
Accrued Liabilities	\$32,355	\$38,833
TOTAL LIABILITIES & MEMBER EQUITY	\$6,601,207	\$6,304,274

Comparative Financial Results

(continued)

STATEMENT OF OPERATIONS IN THOUSANDS

INCOME	2013	2012
Interest on Loans	\$100,576	\$102,081
Investment Income	\$43,012	\$48,212
Other Operating Income	\$7,846	\$11,311
TOTAL INCOME	\$151,434	\$161,604
OPERATING EXPENSES	2013	2012
Employee Compensation	\$20,366	\$23,229
Office Occupancy	\$2,128	\$2,161
Office Operations	\$6,485	\$6,480
Loan Servicing	\$2,794	\$2,219
Professional & Outside Services	\$1,816	\$1,668
Provision for Loan Losses	(\$1,903)	\$2,229
Operating Fee	\$567	\$507
Other Operating Expenses	\$6,775	\$6,694
TOTAL OPERATING EXPENSES	\$39,028	\$45,187
INCOME FROM OPERATIONS	\$112,406	\$116,417
Non-Operating Income (Expenses)	\$26	\$1,495
NET INCOME BEFORE DISTRIBUTION	\$112,432	\$117,912
Dividends	\$25,729	\$26,758
Interest on Borrowed Money	\$33,215	\$33,118
ADDED TO RESERVES & UNDIVIDED EARNINGS	\$53,488	\$58,036

SUPERVISORY COMMITTEE REPORT



RICHARD AOCHI
CHAIR

The Supervisory Committee is responsible for monitoring the financial safety and soundness of Star One. We ensure internal operating controls are established and effectively maintained, and that the Board of Directors' plans, policies, and procedures are being properly administered by management. The 2013 internal audit program consisted of an extensive evaluation of internal procedures and policies.

Internal controls include policies and procedures within the Credit Union to safeguard assets and verify the accuracy and reliability of Star One's accounting data. Where applicable, evaluations include operating efficiencies and safeguards against fraud, ensuring compliance with prescribed policies, established procedures, and applicable regulatory requirements.

During 2013, the Supervisory Commit-

tee directed a comprehensive audit of operating processes selected for their risks across all of the Credit Union's products and services. The Supervisory Committee also contracted with specialized external firms to perform independent reviews of selected Star One business practices throughout the year. Based on the reports from Star One's ongoing internal audit program and audits performed during the year by

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SUPERVISORY COMMITTEE REPORT

Continued ■

third-party firms, the Supervisory Committee reports that Star One is operating in a sound manner. Moreover, the Credit Union's internal controls are being effectively maintained to reasonably ensure that the Board of Directors' plans, policies, and procedures are being properly administered, and that the financial results are fairly and accurately represented in **communications to the members** ■





Roots in our community

Star One Credit Union is proud to be affiliated with the Santa Clara County community. In addition to providing quality financial products and services to members who live, work or attend school in the area, Star One **makes a commitment** each year to be a positive force through sponsorships, volunteerism and donations to various programs and organizations. A list of local events and **organizations** in which Star One was involved in 2013 follows.

AAUW – Gifts for Teens

Able People Foundation

ALS Association, Golden West Chapter – Walk to Defeat ALS

Alzheimer's Association – Silicon Valley Walk to End Alzheimer's

American Cancer Society – Daffodil Days

American Diabetes Association, San Jose Chapter

American Heart Association – Silicon Valley Heart Walk

American Heart Association – Wear Red Day

Assistance League of San Jose – Hug-A-Bear

Autism Speaks – Light It Up Blue

Breast Cancer Connections

Breathe California of the Bay Area

Cake4Kids





Children's Miracle Network – Credit Union SACTOWN 10 Mile Run

Crohn's & Colitis – Take Steps for Crohn's & Colitis Walk

Cystic Fibrosis Research, Inc. – Golf Tournament

EHC LifeBuilders – Sunnyvale Armory & Rivers of Chocolate Festival

Employment & Community Options

Family Giving Tree – Back-to-School & Holiday Drive

Family Supportive Housing, Inc.

FLY – Fresh Lifelines for Youth

Friends of the Sunnyvale Library

Friends of Stevens Creek – Trailblazer Race

Happy Hollow Park – 3rd Hoot & Howl Gala

Health Trust (Meals on Wheels) – Star One Bowl-A-Thon

HERS Breast Cancer Foundation

Hope Services



Jose Valdes Math Foundation

KARA

Live Oak Day Services

Lockheed Martin Street Fair

Lucile Packard Children's Fund

Lupus Foundation of Northern California

Operation: Care and Comfort

Organs 'R' Us

Project Linus

Prostate Cancer Research – Stanford University

RAFT





San Jose Day Nursery

Santa Clara Family Health Foundation

Second Harvest Food Bank – Holiday Drive & Summer Program

Silicon Valley Humane Society

Special Olympics – Power Pull

■ ————— **Sunday Friends**

Sunnyvale Community Services

Support Network for Battered Women

TheatreWorks

Toys for Tots

TurningWheels for Kids

VA Palo Alto Health Care System

Letters

“ Our Veteran patients appreciate your thoughtfulness and generosity. Your support helps make it possible for us to maintain the high quality of care we give our Veterans. ”

WILLIAM J. BALL
CHIEF, VOLUNTARY SERVICE
VETERAN AFFAIRS



“ This significant and increased gift will help ensure healthy meals and a friendly face for our homebound neighbors in need. ”

FREDERICK J. FERRER
CHIEF EXECUTIVE OFFICER
HEALTHTRUST

Letters



“It is only through your continued support, and immeasurable generosity that Hope Services has the ability to lead the way forward by championing individuals with developmental disabilities ...”

JENNY LUCIANO
VICE PRESIDENT, RESOURCE DEVELOPMENT
HOPE SERVICES

“We are touched and overwhelmed by generous individuals like you who are making sure that no one in our community has to face breast cancer alone.”



KAREN NELSON
EXECUTIVE DIRECTOR
BREAST CANCER CONNECTIONS

BOARD OF DIRECTORS

Gae Adams

Chair

David Daggett

First Vice-Chair

Dan Abihider

Second Vice-Chair

Scott Dunlap

Treasurer

Doug Flowe

Secretary

Jeff Gaut

Assistant Secretary

Bruce Bachant

Director

Marty Eng

Director

Patricia Humecke

Director

Bill Lewis

Emeritus

Jack McElravey

Emeritus

SUPERVISORY COMMITTEE

Richard Aochi

Chair

Cy Tabari

Secretary

Christina Goeas

Mojan Khaghani

Leslie Varr

BOARD/SUPERVISORY COMMITTEE ASSOCIATES

Triny Lee

Kathy McDonell

MANAGEMENT

Rick Heldebrant

President & CEO

Gary Rodrigues

Executive Vice President,
Operations

Brian Ross

Executive Vice President,
Finance & Administration

Kevin Collins

Senior Vice President, Loan Services

Richard Aubrey

Vice President, Treasurer

Lynn Brubaker

Vice President, Deposit Services

Joe Fagenstrom

Vice President, Marketing

Koji Fukumoto

Vice President, Audit

Russ McAlpine

Vice President, Information Systems

Sandra Moix

Vice President, Branch Services

Margarete Mucker

Vice President, Remote Services

Regina Rutledge

Vice President, Human Resources

Ann Sebastian

Vice President, Controller

STAR ONE INFORMATION

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