



STAR ONE
CREDIT UNION

2020
ANNUAL
REPORT

*“Improve each
member’s life by
delivering valuable
financial services.”*

Star One’s Mission Statement



Star One Credit Union is one of Silicon Valley's largest, member-owned financial institutions. We've been serving Santa Clara County for over 64 years with more than 113,000 members worldwide. With assets over \$10.1 billion, Star One is ranked 17th in total assets among over 5,700 credit unions nationally.

Star One is a credit union focused on members. Our mission is to improve each member's life by delivering valuable financial services. This year that focus became greater and we found that in unprecedented times, staff and members are stronger together. Star One members can find security in that strength.

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BOARD REPORT

We count ourselves fortunate to have the opportunity to look back on such a challenging year when our communities have been through so much. We watched with the world as the effects of the pandemic unfolded, fires ravaged our state, and social unrest rattled our nation. Yet through this eventful year, there is still much to be grateful for and to celebrate. For Star One, the commitment and resilience of our staff and managers, and likewise, the loyalty and commitment of our members allowed us to continue serving members successfully during a year like no other.

The mission of Star One is focused squarely on members, and this year, we never wavered from the goal of improving each member's life by delivering valuable financial services. As ever, our strategy has been to use a sensible approach in managing the Credit Union, and not react rashly to external factors. The Board of Directors come from various backgrounds, and they apply their decades of experience to be unpaid volunteers helping Star One to remain one of the most successful credit unions in the nation. As challenging as 2020 was, we are confident members can feel secure about their deposits at Star One. Through the decades, we have weathered many economic storms and are well-positioned to do so again.

It was important in 2020 to not only continue delivering the financial needs of our members, but to do so with the excellent service members expect. We happily report that members remain satisfied, according to surveys conducted throughout the year. Raddon Financial reported

that member satisfaction is at 98%. And we continue to monitor and enhance our performance through other metrics, such as our Quality Member Surveys and Mystery Shopper Program.

The current world situation required us to be responsive and flexible to meet members where they were. Our popular in-person [financial education workshops](#), some of which were previously reserved to full capacity, were promoted online and through email, and conducted via live online webinars. This allowed members to attend conveniently from wherever they were.

In February, we expanded our field of [membership](#) and welcomed people living, regularly working, and attending school in several Santa Clara-neighboring counties to join us. New members from Alameda, Merced, Monterey, San Benito, San Joaquin, San Mateo, Santa Cruz, and Stanislaus counties in California can now sign up for membership and open money market savings accounts. We hope that those who've never belonged to a credit union before will fully take advantage of the benefits of the credit union model. These include profits going back to the members in the form of low rates on [loans](#), higher-than-average interest on [deposits](#), and convenient remote and [digital banking](#) services to enhance their lives.

The needs of the [community organizations](#) we support only increased during this extraordinary year. In this Annual Report, we highlight Second Harvest of Silicon Valley, a wonderful local organization. Our giving did not end there. We are honored and proud to support 52 organizations in Santa Clara County, to whom we contributed a total of \$750,000 in 2020.

Under the unique conditions of 2020, the Star One staff stepped up and made a stellar performance for the Credit Union. We pulled together as a team, accomplishing remarkable things and continuing to ambitiously expand our offerings in this unimaginable time, while our members patiently showed support through many changes. On behalf of the Board, we look forward to an even brighter year being stronger together.



Doug Flowe
Chair

PRESIDENT'S REPORT

In 2020, we faced some of the biggest challenges in the Credit Union's history. Despite these difficulties, Star One employees adapted, overcame and persevered. Star One continued to focus on our mission of improving each member's life by delivering valuable financial services.

As an essential business, our objective was to keep members and staff safe while providing the same level of service our members expect. We kept our branches and back office open, following the guidelines set by local, state and federal governments. Many of our staff worked from home, teaming up with in-office employees to expertly serve members. Our front-line staff also performed well, showing both the dedication and agility to meet members' needs. The patience and cooperation demonstrated by members provided additional help during a difficult time.

In response to COVID's devastating effect on the financial security of many families, Star One provided [deferred payment plans](#) on our consumer and real estate loans. Plus, anyone affected by the California wildfires could apply for a disaster loan. We all had to adapt to a new way of banking, with a new set of rules, intended to keep everyone safe and healthy. To help members, Star One also made other [accommodations](#), including the waiver of loan payment late fees, out-of-network ATM charges and other account maintenance fees.

As the economy weakened, mortgage rates dropped to unprecedented levels. Members and non-members sought mortgage loans with Star One in record numbers. To help [first-time home buyers](#), Star One offered special low down-payment options, reduced Private Mortgage Insurance (PMI) premiums, flexible loan terms, and appraisal-fee refunds of up to \$500. We also offered a maximum real estate loan amount of \$5 million, which was especially helpful for the Bay Area market.

Existing mortgage members had an additional advantage: instead of refinancing, they could use Star One's [Mortgage Rate Modification](#) program to reduce their rate without going through the whole refinance process. For a limited time, we further reduced the already competitive rate and the low one-time fee, making this already popular program even more valuable.

We granted more loans in 2020 than any previous year. [Real estate loans](#) totaling \$1.366 billion, and \$117 million of [automobile](#) and other [consumer](#) loans were granted. Charge-offs remained low at .004%. Savings, checking and other deposit accounts grew to \$8.63 billion. Members opened 7,014 new memberships.

We began offering innovative ways to transfer money and make payments. Members can now initiate one-time same-day [transfers](#) to domestic financial institutions, giving them a great option to transfer up to \$25,000 at no additional cost. [Zelle®](#) was introduced as a new way for members to send, receive, and request money quickly, safely, and securely through Star One's [Mobile Banking App](#). And in the fall, contactless cards were rolled out, offering members yet another convenient option to pay with a Star One Visa [debit](#) or [credit card](#). Contactless cards allow members to quickly and easily pay with a simple tap wherever contactless cards are accepted, all with the same secure technology of chip cards to protect members. Expanding the products and

services we offer members is important, although keeping the security of our members' personal financial information safe is paramount.

Star One has always relied on our members to be the best advocates of the value we have to offer. So we were happy to announce we can now [welcome](#) more of our members' friends, coworkers, and family from the [counties](#) that neighbor Santa Clara County. As we grow, one of our chief goals is to bring even more value to the members we serve. And this year, we are proud to report that [CUNA](#), the largest credit union trade organization, estimates we provided, on average, \$1,270 in direct financial benefits to each member household for the 12 months ending in September 2020. We look forward to providing even higher levels of service and value to all Star One members, in 2021 and beyond.



Gary Rodrigues
President & CEO

TREASURER'S REPORT

Star One achieved another strong year financially. The Return on Assets for 2020 was 0.71%. Our Net Worth ratio remains strong at 11.26%. Our federal regulator considers a credit union with a ratio of 7.00% or higher to be well-capitalized.

Star One's total assets, excluding borrowed funds, increased during the year by 15.35% from \$8.65 billion in 2019 to \$9.98 billion in 2020. Borrowed funds decreased \$175 million to \$245 million in 2020. Star One does not borrow funds to leverage earnings, but rather to mitigate the interest rate risk associated with long-term fixed-rate member mortgages held in our portfolio.

Membership increased 2.82% to 113,393. 7,014 new members joined Star One during 2020. More than 59% joined from our community charter, another 31% joined through family members, while

10% joined through member companies. Over the past few years we have seen very strong growth in new members coming from Santa Clara County.

Deposits grew \$1.16 billion, up 15.52% from \$7.47 billion in 2019 to \$8.63 billion in 2020. Checking increased 27.3% to \$522 million. Money Market Savings Accounts grew 15.5% to \$7.28 billion. Certificates of Deposit grew 15.84% to \$395 million. 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 5.59%, to \$4.56 billion. Auto loans decreased, down -5.98% or \$17.1 million. Consumer loan growth was -7.10%. Consumer loan delinquency remained low at 0.28% in 2020. Many new and existing members took advantage of Star One's low real estate loan rates as home prices continue to increase. Total first real estate loans increased 8.07%, up \$279.1 million for the

year. Our loan portfolio continues to perform much better than other credit unions and banks both locally and nationally with a net charge-off to average loans ratio of .01%. Our investment portfolio provides strong returns while maintaining safety and security. Star One does not invest in subprime debt.

Star One continues to thrive and provide valuable financial services to our members throughout California and the nation. Our loyal membership and their extensive use of products, services and automated delivery channels provide the resources for Star One to be one of the most successful credit unions in the nation.

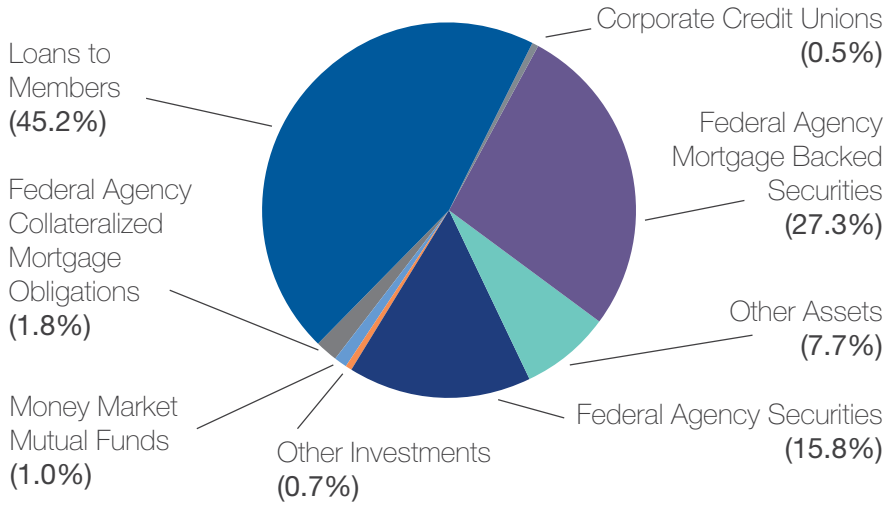
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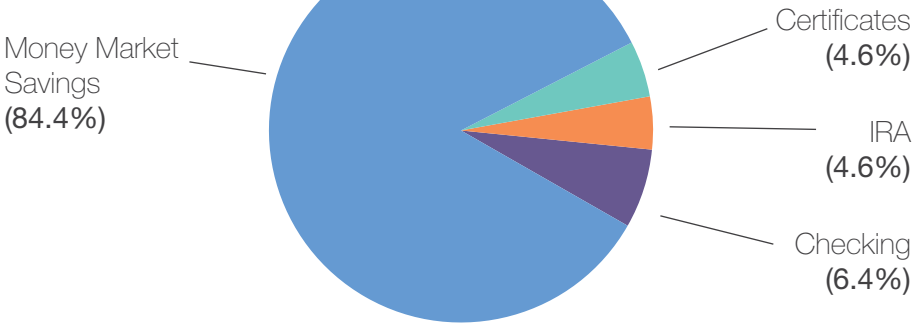
■ Scott Dunlap
Treasurer

FINANCIAL INFORMATION

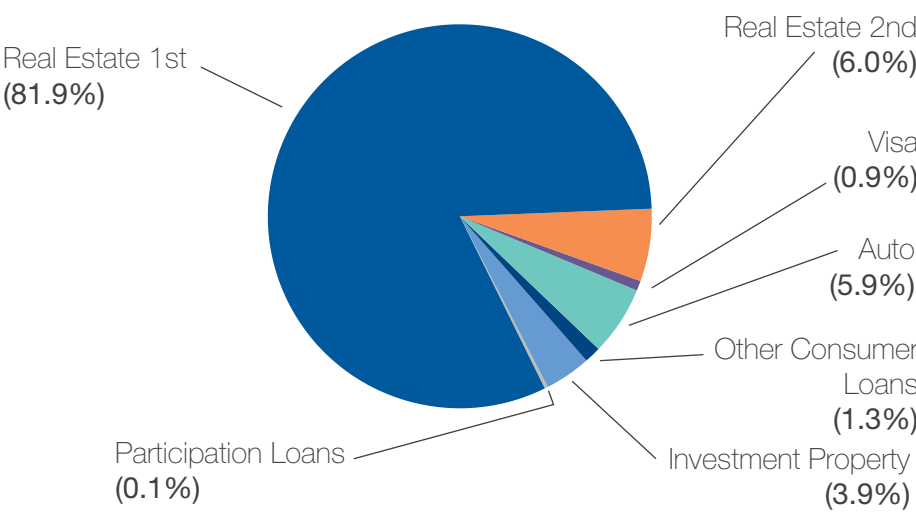
ASSETS



SAVINGS

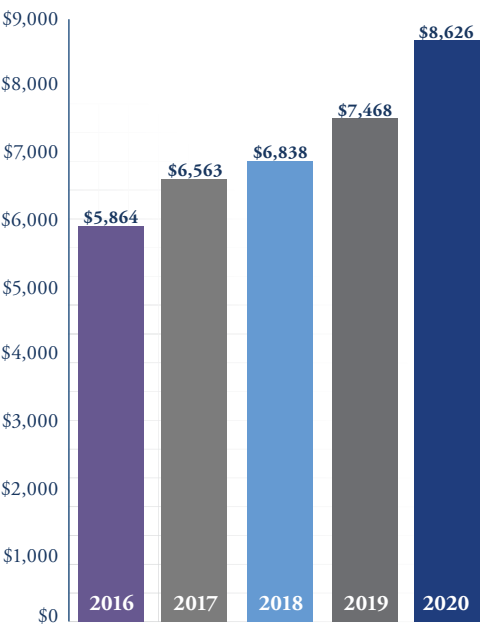
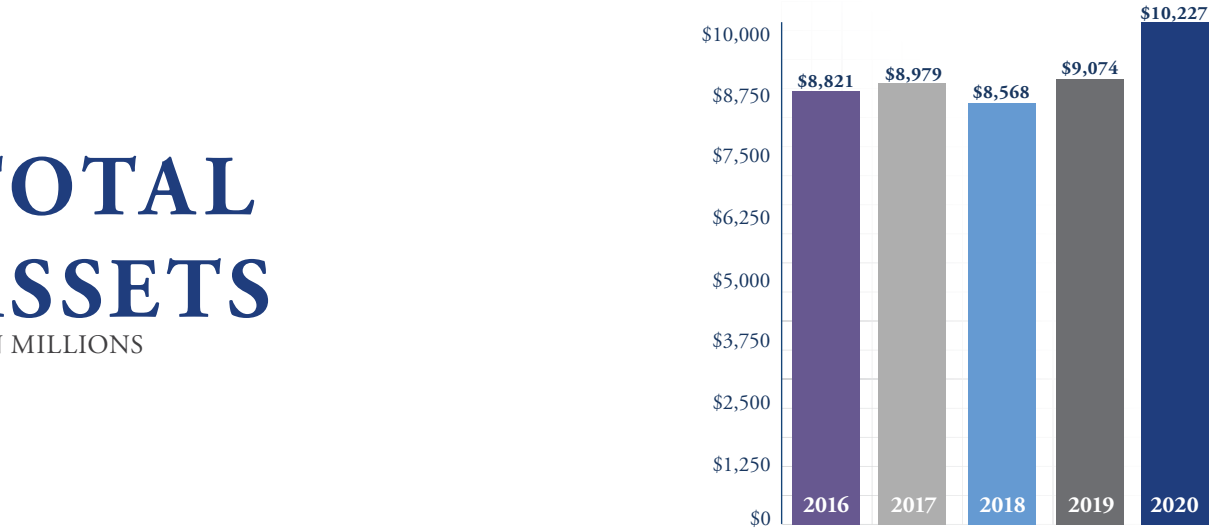


LOANS



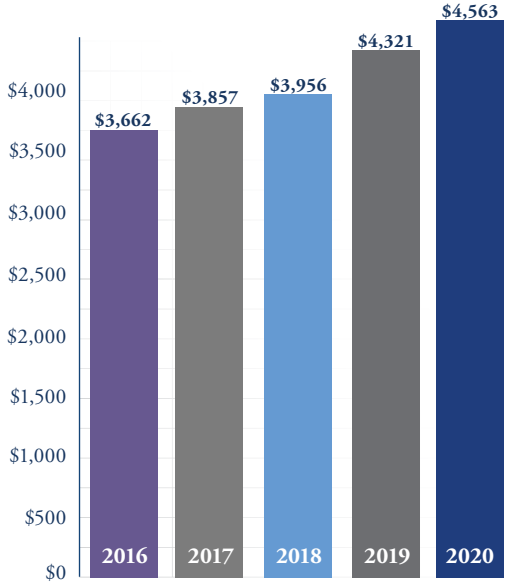
FINANCIAL HIGHLIGHTS

TOTAL ASSETS
IN MILLIONS



TOTAL SAVINGS
IN MILLIONS

TOTAL LOANS
IN MILLIONS



COMPARATIVE FINANCIAL RESULTS

Year End Summary IN THOUSANDS	2020	2019	% Change
Total Assets	\$10,227,496	\$9,073,632	12.7%
Member Savings and Certificate Accounts	\$8,626,413	\$7,467,766	15.5%
Loans to Members	\$4,562,598	\$4,321,231	5.6%
Delinquent Loans	\$2,767	\$2,980	-7.1%
Member Equity	\$1,222,575	\$1,105,161	10.6%
Cash and Investments	\$5,300,454	\$4,504,544	17.7%
Dividends Paid to Members	\$80,819	\$130,588	-38.1%

Statement of Financial Condition IN THOUSANDS

Assets	2020	2019
Cash and Investments	\$5,300,454	\$4,504,544
Loans to Members	\$4,562,598	\$4,321,231
Less: Allowance for Loan Losses	(\$8,659)	(\$5,322)
Land, Building & Equipment	\$12,841	\$13,411
Accrued Interest Receivable	\$22,252	\$24,693
Deposit-Share Insurance Fund	\$64,588	\$57,476
All Other Assets	\$273,422	\$157,599
Total Assets	\$10,227,496	\$9,073,632
Liabilities & Member Equity	2020	2019
Member Savings & Certificate Accounts	\$8,626,413	\$7,467,766
Accounts Payable	\$7,254	\$6,601
Borrowed Funds	\$244,800	\$419,400
Regular Reserves	\$56,851	\$56,851
Undivided Earnings	\$1,094,869	\$1,025,678
Unrealized Gain (Loss) on Investments	\$89,087	\$23,956
OCI Derivative Market Gain/(Loss)	\$13,169	\$21,167
Accumulated Other Comprehensive Income	(\$31,401)	(\$22,491)
Accrued Liabilities	\$126,454	\$74,704
Total Liabilities & Member Equity	\$10,227,496	\$9,073,632

COMPARATIVE FINANCIAL RESULTS (CONTINUED)

Statement of Operations IN THOUSANDS	2020	2019
Income		
Interest on Loans	\$140,432	\$155,061
Investment Income	\$81,152	\$90,864
Other Operating Income	\$12,696	\$10,911
Total Income	\$234,280	\$256,836
Operating Expenses	2020	2019
Employee Compensation	\$37,260	\$33,393
Retirement Plan Valuation	(\$289)	\$4,521
Office Occupancy	\$2,993	\$2,974
Office Operations	\$7,151	\$7,580
Loan Servicing	\$8,098	\$6,810
Professional & Outside Services	\$5,817	\$5,032
Provision for Loan Losses	\$3,760	\$1,746
Operating Fee	\$629	\$581
Other Operating Expenses	\$5,843	\$5,517
Total Operating Expenses	\$71,262	\$68,154
Income from Operations	\$163,018	\$188,682
Non-Operating Income (Expense)	(\$865)	(\$371)
Net Income Before Distribution	\$162,153	\$188,311
Dividends	\$80,819	\$130,588
Interest on Borrowed Money	\$12,143	\$12,493
Added to Reserves & Undivided Earnings	\$69,191	\$45,230

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee's primary responsibility is to assure that Star One has effective internal operating controls and that the Board of Directors' plans, policies and procedures are being properly administered by management. The 2020 internal audit programs consisted of an extensive evaluation of internal procedures and policies as well as the hiring of outside audit firms to provide third-party evaluations of selected Star One business practices.

Internal controls are in place to ensure the Credit Union's assets are protected and to verify the accuracy and reliability of Star One's accounting

data. They also promote operating efficiencies, provide safeguards against fraud, and ensure compliance with prescribed managerial policies, established procedures, and applicable regulatory requirements. During 2020, the Supervisory Committee directed a comprehensive 'risk-based' audit program. Specific audit techniques and methods were applied to operating processes selected for their risks across all of the Credit Union's products and services. The Supervisory Committee contracted with specialized external firms to perform independent reviews.

Based on the reports from ongoing internal audits and the audits performed during the year by third-party firms, the Supervisory Committee reports that Star One is operating in a sound manner. Moreover, the Credit Union's internal controls are 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.

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Christina Goeas
Chair

COMMUNITY IMPACT

The entire Star One family, from employees to management and Board, recognizes the importance of contributing to the community we serve and being a strong corporate citizen. Through direct financial donations and other in-kind contributions and by participating in local public service activities, Star One is an active partner with these organizations throughout Santa Clara County:

Acknowledge Alliance ■ Alzheimer's Association ■ American Cancer Society ■ American Diabetes Association ■ American Heart Association ■ Animal Assisted Happiness ■ Assistance League of San Jose ■ Auxiliary of the Good Samaritan Hospital of Santa Clara Valley ■ Avenidas ■ Bill Wilson Center ■ Cake4Kids ■ California Veteran's Connection ■ Cancer CAREpoint ■ Canine Companions for Independence ■ Child Advocates of Silicon Valley ■ Citizen Schools ■ Community Health Awareness Council ■ Community Services Agency ■ Crohn's and Colitis Foundation of America ■ Cystic Fibrosis Research, Inc. ■ Downtown Streets Inc. ■ Family Giving Tree ■ Family Supportive Housing, Inc. ■ Friends of Stevens Creek Trail ■ Happy Hollow Foundation ■ Health Trust: Meals on

Wheels ■ HomeFirst ■ Jacob's Heart Children's Cancer Support Services ■ Leukemia and Lymphoma Society ■ LifeMoves ■ Lucile Packard Foundation for Children's Health ■ Marine Toys for Tots ■ Martha's Kitchen ■ Morgan Autism Center ■ NAMI Santa Clara County ■ NephCure Kidney International ■ Operation: Care and Comfort ■ Pancreatic Cancer Action Network ■ President & Board of Trustees of Santa Clara College ■ Rebuilding Together Silicon Valley ■ Sacred Heart Community Services ■ San Andreas Regional Center ■ Santa Clara Women's League ■ Saratoga Area Senior Coordinating Council ■ Second Harvest of Silicon Valley ■ Stanford University - Prostate Cancer Center ■ Sunday Friends ■ Sunnyvale Community Services ■ The Tech Interactive ■ The Tower Foundation of San Jose State University ■ Veterans Memorial & Support Foundation of Los Gatos ■ West Valley Community Services



COMMUNITY HIGHLIGHT

Since 1997, Star One has partnered with Second Harvest of Silicon Valley to help provide over 750,000 meals to our community. This year, as COVID-19 impacted families around the county, Second Harvest called on all partners, emphasizing that “Unprecedented times require the unparalleled support of our community.” Since the pandemic, the number of clients they served each month doubled to over 500,000 people in May of 2020.



For the fiscal year 2019/2020, Star One gave Second Harvest \$130,000 in Corporate Donations. Employees donated an additional \$1,075. These contributions provided 262,150 meals to families in need.

The strength of the families and individuals in our community inspires us to continue serving. Through the decades, and especially this trying year, Star One stands with the community and is committed to helping families and individuals to thrive.

“

We feel happy and fortunate that we can get delicious and healthy food to cook with, even when we don't have money to buy it. Having meals like these makes my mom feel more hopeful and less worried about putting food on the table or my unemployment.

”

Tuyet
Client





Board of Directors

Doug Flowe <i>Chair</i>	Scott Dunlap <i>Treasurer</i>	Martin Eng <i>Director</i>	Gae Adams <i>Emeritus Director</i>
David Daggett <i>First Vice Chair</i>	Richard Aochi <i>Secretary</i>	Melissa Henck <i>Director</i>	Bill Lewis <i>Emeritus Director</i>
Jeff Gaut <i>Second Vice Chair & Assistant Treasurer</i>	Patricia Humecke <i>Assistant Secretary</i>	Triny Lee <i>Director</i>	

Supervisory Committee

Christina Goeas <i>Chair</i>	Ponprom (Mel) Flynn <i>Member</i>	Krishna Marella <i>Member</i>	Cyrus Tabari <i>Member</i>
Brian Lawler <i>Secretary</i>			

Board/Supervisory Committee Associates

Jim Barnhart	Tyler Brock	Milan Gandhi	Madelaine Kolda
Kristen Mank			

Star One Management

Gary Rodrigues <i>President & CEO</i>	Vanessa Brosas <i>Vice President Branch Services</i>	Russ McAlpine <i>Vice President Information Systems</i>	Kathy Sullivan <i>Vice President Deposit Services</i>
Margarete Mucker <i>Executive Vice President Operations</i>	Joe Fagenstrom <i>Vice President Marketing</i>	Safal Panicker <i>Vice President Treasurer</i>	Victoria Tabler <i>Vice President Real Estate Lending</i>
Brian Ross <i>Executive Vice President Finance & Administration</i>	Minal Gupta <i>Vice President Remote Services</i>	Regina Rutledge <i>Vice President Human Resources</i>	
Kevin Collins <i>Senior Vice President Loan Services</i>	Alex Kim <i>Vice President Audit and Compliance</i>	Ann Sebastian <i>Vice President Controller</i>	



Star One Information

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El Camino Branch | Palo Alto

3903 El Camino Real, Palo Alto, CA 94306

Blossom Hill Branch | San Jose

1090 Blossom Hill Road, San Jose, CA 95123

Stevens Creek Branch | San Jose

3136 Stevens Creek Boulevard, San Jose, CA 95117

Big Basin Branch | Saratoga

14411 Big Basin Way, Saratoga, CA 95070

Enterprise Branch | Sunnyvale

1080 Enterprise Way, Suite 150, Sunnyvale, CA 94089

Star One Administration Office | Sunnyvale

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Federally insured by NCUA

