

~SAN MATEO~  
CREDIT UNION

San Mateo Credit Union

# ANNUAL REPORT

2018





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# Mission Statement

While maintaining a sound financial position, San Mateo Credit Union, a financial cooperative, will provide a wide range of valued products and services, enhanced by a commitment to give member-owners a feeling of personal identity and belonging.

## Dedication to Member Service and Financial Wellness

*“Without continual growth and progress, such words as improvement, achievement, and success have no meaning.” – Benjamin Franklin*

Ever since our earliest days, San Mateo Credit Union has maintained an unwavering focus on member service and financial education. This dual focus on service and financial wellness has propelled us from our modest beginning in a small, single room to a rapidly expanding presence throughout the Peninsula with almost 92 thousand members and over \$1 billion in assets.

While growth for the sake of growth has never been our objective, we do recognize that growth is a logical outcome of SMCU’s relevance to the community. SMCU was created for you. It exists for you. And it progresses for you.

In 2018, the growth we experienced had far-reaching impact. From expanded assets to proposed new branches... from record-breaking mortgage lending to leading-edge

digital services to nearly 4,300 youth and adults participating in our financial education...the strides we made are rooted in a commitment to member service and financial wellness in our communities.

Every decision we make, every technological advance we embrace, is for the purpose of enriching the communities we serve and improving the lives of the people who live and work in them. We are honored that you rely on us, and we take that responsibility very seriously.

Driven by your confidence and loyalty, we will seek to make continuous evolution our priority. Together, we can look forward to the successes and growth that naturally follow.



# President's Message

The strides made by San Mateo Credit Union in 2018 stand as a tribute to our focus on convenience, value, and growth—areas that reflect a member-centric philosophy. As always, the accomplishments of the past year are firmly rooted in a resolve to meet the financial needs of our membership as productively and efficiently as possible.

## CONVENIENCE

At SMCU, one of our primary goals is to simplify life with easy access to your money, loans, and services. To this end, we proudly deployed a new fleet of state-of-the-art ATMs at every branch and several stand-alone locations on the Peninsula. Blending convenient locations with user-friendly features, these new ATMs make it simpler than ever to conduct a wide variety of transactions.

Beyond the ability to conduct your day-to-day transactions through our digital banking solutions, SMCU also made improvements to the online application process, making it faster and easier to open a new membership or deposit account, or apply for a loan, without visiting a branch. In 2018 alone, we facilitated the opening of 963 new memberships and deposit accounts online, a 91% increase over 2017.

Continuing our commitment to members who prefer to interact with SMCU via the internet, our newly re-designed website launched in late December 2018. Its content is powerful and robust. Its look is clean, contemporary, and responsive. It's what you've been asking for, and we've been listening. Not only will you find extensive information about our products and services, you'll also find online financial education courses, helpful calculators, and new search/FAQ functionality that make it easier than ever to find the answers you need.

I am particularly pleased to report that SMCU will be expanding our branch footprint with a new Half Moon Bay location at the intersection of highways 1 and 92, scheduled to open in March 2019. We look forward to the opportunity to serve this thriving coastal community.

## VALUE

Competitive loans are an essential part of our mission, and SMCU is pleased to offer real estate loans tailored specifically to the local housing market. Among them is the 80/10/10 loan, a fixed-rate option that eliminates the need for private mortgage insurance with a 10% down payment and a second mortgage for an additional 10% down.

We also feature a variety of adjustable-rate mortgages (ARMs) up to \$3.5 million that allow you to increase your buying power with lower initial interest rates. These include a 40-year term ARM and a 5/5 ARM, which provides a fixed rate for the first five years, followed by a rate that adjusts every five years thereafter.

On the deposit side of our product line-up, we are extremely pleased to be offering our best rates in more than a decade. Checking, certificates, and money market accounts all feature compelling, top-of-market rates.

In keeping with our focus on member satisfaction as a key indicator of the value we provide, 2018 saw the implementation of measurement tools to gauge and enhance our level of service. These included the expanded use of Net Promoter Score surveys and greater engagement with social media.

## GROWTH

I am pleased to report that the momentum we have seen over the past several years has increased with record-breaking speed. 2018 saw net loan growth of \$127 million. New first mortgage fundings totaled \$171.4 million, which is the highest amount in our history. In addition, we funded another \$126 million in auto loans.

Topping off the impressive numbers, our net worth growth in 2018 was \$15 million, making us more financially secure than ever. Our membership increased, as well, with a net growth of 3,000 people joining the ranks of satisfied members. And we grew organically, powered by our commitment to value and our connection to the local community. It is noteworthy that 100% of our lending is within the community.

## ONGOING SERVICE

As SMCU moves confidently into the future, convenience, value, and responsiveness will remain at the forefront of member experience. You can depend on easy access to a wealth of relevant products, highly competitive rates, and reliable, friendly service.

On behalf of the SMCU Board of Directors, Supervisory Committee, and employees, I thank you all for your support of our credit union. We are grateful for the loyalty you consistently show us, and we will continue to fulfill our mission by providing the level of service and community involvement you have come to expect.



**Wade Painter**  
*President & CEO*

# Minutes of the 66<sup>th</sup> Annual Meeting

## ROLL CALL

### *Directors Present:*

Brian Ponty, Chair

John Beiers, Vice Chair

Magda Gonzalez, Secretary

Donna Vaillancourt, Treasurer

Pat Webb

Paul Scannell

Bob Adler

### *Supervisory Committee Members Present:*

Dennis McBride, Chair

Mike Gibbons

Narayan Nair

Paul Okada

## WELCOME AND INTRODUCTIONS

President and CEO Wade Painter extended a warm welcome and a cheerful “Thanks a billion!” to those attending San Mateo Credit Union’s 66th Annual Meeting. His opening remarks reflected this year’s theme, “Thanks a Billion,” which commemorates the significant milestones achieved in 2017: \$1 billion in assets, \$100 million in net worth, and 20% loan growth. A video presentation followed, highlighting the various components of SMCU’s business model and culture: financial wellness, community partnerships, and a great place to work.

Wade Painter introduced Brian Ponty, chairman of the board of directors, who welcomed everyone and introduced the members of the board. Ponty expressed pride in SMCU’s successful financial performance and achievements in 2017.

- **SERVICE PRIORITY** – Measurement tools have been implemented to gauge and enhance our level of service, including the use of Net Promoter Score surveys and the monitoring of Yelp and Google reviews.
- **DEPOSIT RATES** – Like all insured depository institutions, SMCU has had low savings rates for several years. However, we began to raise them in the latter half of 2017, starting with CDs and checking accounts. Money Market rates were recently increased, as well.
- **COMMUNITY PARTNERSHIPS** – SMCU participated in 185 community events, providing financial education workshops and sponsorships to organizations that included San Mateo County Sheriff’s and Police Activities Leagues, The Sequoia Awards, San Mateo Community Colleges, HIP Housing initiatives for affordable housing, and Kainos Home & Training Center.
- **FINANCIAL WELLNESS** – We continued our efforts and commitment to high-school and college-bound students. Three outstanding high-school seniors were recognized, and each received a \$2,500 scholarship toward college expenses:
  - **Sara Tappin**, Carlmont High School in Redwood City
  - **Angela Chung**, Summit Prep High School in Redwood City
  - **Stella Kailahi**, Menlo Atherton High School in Menlo Park
- **SMCU’S CULTURE** – Employees are SMCU’s most valuable asset. Results from the 2017 employee satisfaction survey indicate that 95% of our employees are happy to work here. We encourage them to maximize their potential, and our High Performers Leadership Development Program offers advancement opportunities for those who seek leadership positions. Over the course of 2017, nearly 30% of staff were promoted to new positions.

## CALL TO ORDER

Chairman Ponty called the meeting to order at 5:32 p.m.

## MEMBERS NOTIFICATION AND ASCERTAIN QUORUM

Ponty confirmed that all members had been notified of the time and location of the annual meeting, as required in the bylaws.

A quorum was declared after confirming that attendance met the requirement of a minimum of 50 members present for the conduct of business.

## APPROVAL OF ANNUAL REPORT AND MINUTES

Upon motion and second, the 2017 financial report and minutes for the meeting of May 18, 2017, were accepted and approved as submitted.

## ELECTIONS

Chairman Ponty explained the elections process, as mandated by SMCU's bylaws. Each year, a nominating committee is formed to determine and fill vacancies on the board and/or supervisory committee. The committee determined there are no vacancies this year, and since no nominations by petition were submitted, the following board and supervisory committee nominees were declared duly elected to their respective offices:

### Board of Directors

Pat Webb 3-year term  
Brian Ponty 3-year term

### Supervisory Committee

Narayan Nair 3-year term  
Mike Gibbons 3-year term  
Paul Okada 3-year term

## TREASURER'S REPORT

As of December 31, 2017, SMCU served more than 88 thousand members and managed more than \$1 billion in assets. Loans grew by \$133.0 million (20%), deposits by \$60.2 million, members by 2,535, and assets by \$71.9 million.

## SUPERVISORY COMMITTEE REPORT

Following the introduction of supervisory committee members, Chairman Dennis McBride expressed appreciation for Doug Abdalla, who previously served as the chairman of the supervisory committee for nearly 20 years. He stated that this is an all-volunteer committee, comprised of five members, responsible for overseeing the financial and internal controls of the organization and ensuring the safety and soundness of SMCU. He explained that the committee engages the services of an independent auditor each year. In 2017, the auditor was RSM US, LLP, an independent certified public accounting firm that specializes in credit union audits. The supervisory committee is proud to report this latest audit resulted in an "unqualified"—or clean—opinion. SMCU is pleased with the result, which is a tribute to the credit union's sound management. Statements of financial condition, as well as operations and highlights of four key areas of growth, are included in the annual report. McBride informed the membership that the audited financial statements for the year ending December 31, 2017, are available upon request.

## PRESIDENT AND CEO'S ADDRESS

Wade Painter addressed SMCU's achievement of three big milestones in 2017: (1) assets of \$1 billion, (2) net worth of \$100 million, and (3) loan growth of 20%. He pointed out a number of 2017 accomplishments.

## 2017 HIGHLIGHTS

- **Mortgage Lending**—Real estate processes have been streamlined to enhance the experience of buying or refinancing a home. Process improvements and higher

visibility as a mortgage lender helped us fund \$151 million in first mortgages in 2017, which was the highest mortgage funding amount in the history of the credit union. In 2018, we continue to look for ways to be even more efficient, such as implementing an even faster closing process and reviewing new mortgage product offerings. We will also continue to offer seminars on home buying and other relevant topics for the benefit of the communities we serve.

- **Mobile Banking**—We made updates to mobile banking, offering a contemporary look, easier navigation, and a LocatorSearch feature that helps users find branches and ATMs.
- **Deposit Products**—In 2017, deposit products continued to be a focal point. We introduced our Premium Checking account, which offers a 2.00% APY on balances up to \$20,000. In addition, savings deposit rates began to increase, much to the delight of many members.
- **Convenience**—We are currently replacing our entire fleet of ATMs to give members enhanced transactional capabilities. As we look to the future, we are embarking on plans to add a new branch location in Half Moon Bay. This development will serve the needs of our membership with even more technology and efficiency, launching a new era of possibilities for improved member experience.

## FINANCIAL WELLNESS AND COMMUNITY SUPPORT

Advocating for the communities we serve remains a high priority. In pursuit of this commitment, we donated more than \$130,000 to local nonprofit organizations. Our Community Relations team supported 185 local events throughout 2017, and our Financial Education team taught more than 110 financial education workshops. We are proud to be the recipient of the Credit Union National Association's Dora Maxwell Social Responsibility Community Service Award, which honors credit unions for their community outreach efforts.

Wade Painter along with Brian Ponty fielded questions from the general membership.

## ADJOURNMENT

On behalf of the board of directors, employees, and volunteers, Brian Ponty thanked the members for the role they play in supporting San Mateo Credit Union and contributing to our success. Since there was no further business, the meeting adjourned at 6:45 p.m.

Respectfully submitted,

**Magda Gonzalez**, *Secretary*

# Board Chair's Message

2018 was one of the most successful years in San Mateo Credit Union's history. We achieved record loan growth of \$127 million by funding nearly 12 thousand auto loans, home loans, personal loans, and credit cards. We also grew our net worth by nearly \$15 million, enhancing our financial stability, now and for the future. Our growth and success didn't just happen. Rather, it's built on a bedrock of commitment to members, to community, and to our staff.

## COMMITMENT TO MEMBERS

At SMCU, we recognize that there is a diversity of preferences in how our members want to interact with us—from those who want to rely on the speed and convenience of the latest technology to those who prefer to visit a branch and be greeted by a smiling face. Trust that no matter what your preference, we are here to provide the type of service you want—regardless of the shape it takes.

Our products and services are designed to deliver practicality, efficiency, simplicity, and security, which combine to help strengthen and enrich the communities we serve. We enhance our financial offerings by maintaining an active presence where we are needed most, sponsoring and participating in a host of events and programs.

## COMMITMENT TO COMMUNITY

The communities where you live and work are our communities, too, and we are committed to helping them thrive. Last year, SMCU was involved in 158 community events, reaching thousands of area residents.

In the area of financial education, SMCU is the proud first-place recipient of the national Desjardins Adult Financial Education Award, a great honor for any credit union to receive. We believe in the work being done by our Community Relations team, which is dedicated to bringing free financial education to every segment of the population—from students to seniors.

Another way we continue to help students achieve financial wellness is with our annual educational scholarship program. Established in 2004, SMCU's scholarship program assists graduating high-school seniors with college or technical school costs. To qualify, applicants must have at least a 3.0 GPA and submit transcripts, SAT scores, and a 500-word essay. The selection process gives additional consideration to students who demonstrate strong academic standing, service to the community, and involvement in extracurricular activities. SMCU is pleased to congratulate the winners of our 2018 \$2,500 scholarships and we are eager to meet the 2019 winners.

## COMMITMENT TO STAFF

Happy employees mean satisfied members, which is why we continue to ensure a compelling and upwardly-mobile work environment at SMCU. To help our staff provide an optimum level of service, we made several training upgrades in 2018 in the areas of operations, member experience, credit card sales, and product knowledge. We also made enhancements to SMCU'S benefits package and hosted social events exclusively for employees and their families. In addition, we held our first-ever hiring event, which resulted in 15 new staff members.

I speak for the entire SMCU Board of Directors when I express my gratitude for your membership and your contribution to our ongoing growth and success. You are a vital part of the credit union, and it is an honor and a pleasure to serve you.



**John Beiers**  
*Board of Directors Chair*



# Supervisory Committee Chair's Message

The role of the supervisory committee is to ensure the accuracy and integrity of SMCU's financial statements. The supervisory committee carries out this role by interacting with state and federal examiners from the California Department of Business Oversight and the National Credit Union Administration. We also meet with management throughout the year to stay up to speed on operations and to review the results of internal audit reports.

Each year, we also engage the services of an independent auditor to conduct an opinion audit of SMCU's financial statements. In 2018,

the audit was conducted by RSM US, LLP, one of the nation's largest certified public accounting firms. As has been the case throughout our history, we received an "unqualified" opinion, which translates to a clean report.

SMCU's ongoing growth and vibrancy are a reflection of strong management and member loyalty. We are grateful to you for believing in us, trusting in us, and supporting us. Together, we can reap the rewards of a future bright with promise.



**Dennis P. McBride**  
*Supervisory Committee Chair*

## Board of Directors and Supervisory Committee Members

### BOARD OF DIRECTORS

John Beiers, *Chair*  
Magda Gonzalez, *Vice Chair*  
Donna J. Vaillancourt, *Secretary*  
Pat Webb, *Director*  
Paul Scannell, *Director*  
Brian Ponty, *Director*  
Michael Claire, *Director*

### SUPERVISORY COMMITTEE

Dennis McBride, *Chair*  
Carol Augustine  
Mike Gibbons  
Narayan Nair  
Paul Okada



# Financial Statements

## STATEMENTS OF FINANCIAL CONDITION

DECEMBER 31, 2018 AND 2017  
(Unaudited)

ASSETS	2018	2017
Loans to Members, Net	\$ 903,071,551	\$ 778,081,393
Cash & Cash Equivalents	46,552,239	64,410,079
Investments	73,627,489	123,828,458
Fixed Assets	19,604,527	16,584,761
Other Assets	28,066,048	25,610,090
<b>TOTAL ASSETS</b>	<b><u>\$ 1,070,921,854</u></b>	<b><u>\$ 1,008,514,781</u></b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Liabilities	\$ 3,637,055	\$ 6,822,494
Members' Shares	947,845,756	897,141,350
	951,482,811	903,963,844
Retained Earnings	119,439,043	104,550,937
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b><u>\$ 1,070,921,854</u></b>	<b><u>\$ 1,008,514,781</u></b>

## STATEMENTS OF OPERATIONS

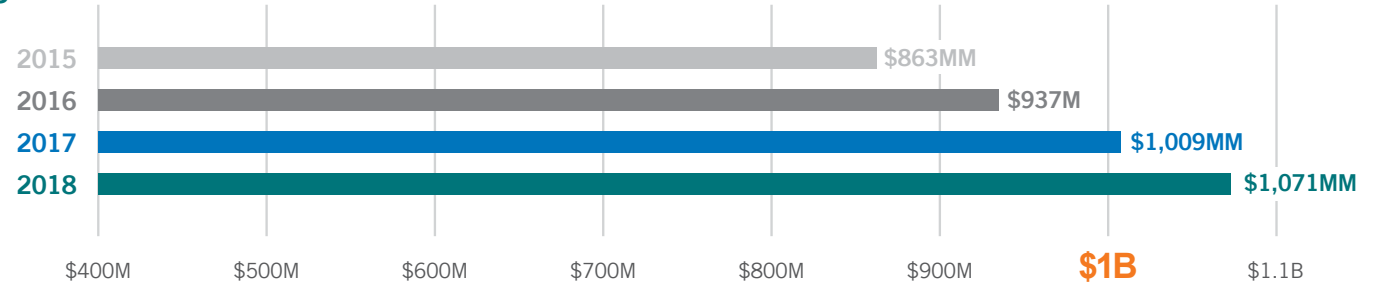
FOR THE YEARS ENDED  
DECEMBER 31, 2018 AND 2017  
(Unaudited)

	2018	2017
<b>INTEREST INCOME</b>		
Interest from Loans	\$ 34,432,806	\$ 28,447,399
Interest from Cash Equivalents & Investments	4,073,351	5,523,517
<b>TOTAL INTEREST INCOME</b>	<b>38,506,157</b>	<b>33,970,916</b>
<b>INTEREST EXPENSE</b>	<b>2,951,385</b>	<b>3,119,044</b>
<b>NET INTEREST INCOME</b>	<b>35,554,772</b>	<b>30,851,872</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>2,374,277</b>	<b>1,992,101</b>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>33,180,495</b>	<b>28,859,771</b>
<b>NON-INTEREST INCOME</b>	<b>17,570,252</b>	<b>15,809,995</b>
	<b>50,750,747</b>	<b>44,669,766</b>
<b>NON-INTEREST EXPENSE</b>		
Salaries and Benefits	18,329,163	16,477,694
Other Operating Expenses	17,533,478	16,430,850
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>35,862,641</b>	<b>32,908,544</b>
<b>NET INCOME</b>	<b><u>\$ 14,888,106</u></b>	<b><u>\$ 11,761,222</u></b>

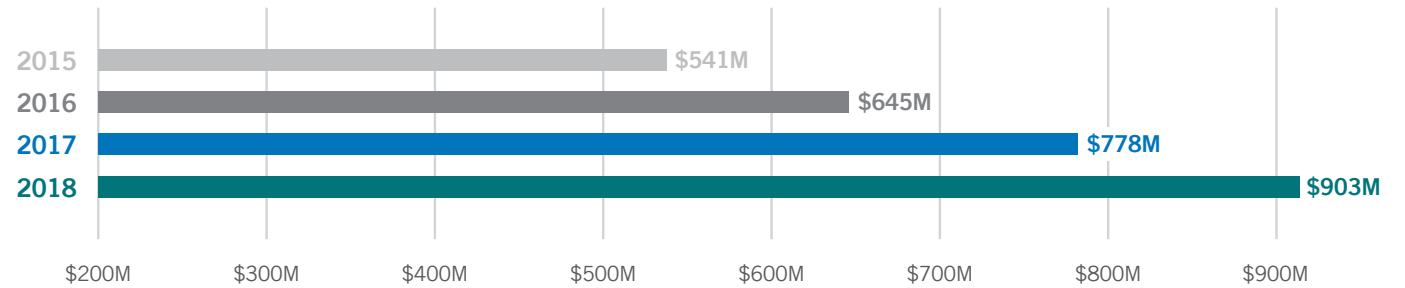
# Highlights

Ever since we opened our doors 66 years ago, SMCU's assets, loans, members, and net worth have grown consistently. The reasons for this success are relevant products and services, a steadfast commitment to service, and the unwavering loyalty of our membership.

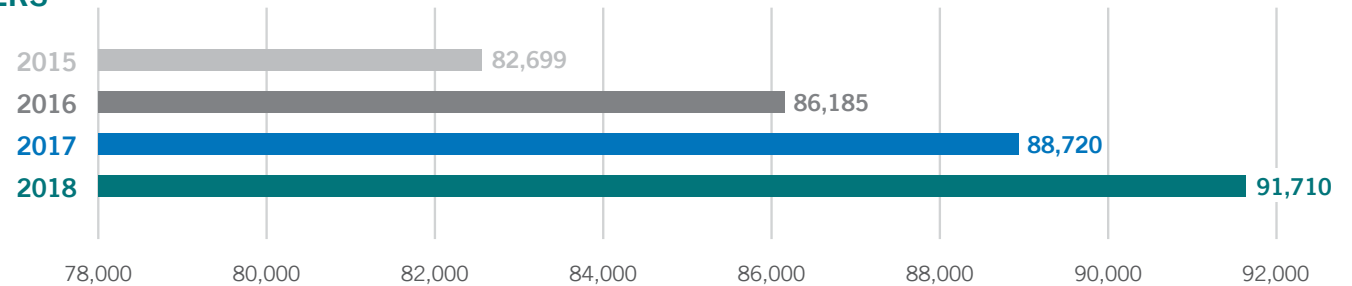
## ASSETS



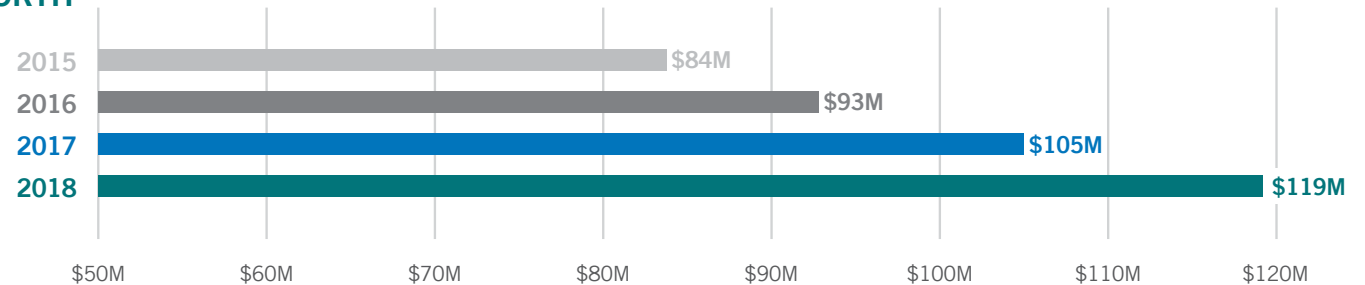
## LOANS



## MEMBERS



## NET WORTH



## BRANCH LOCATIONS

### DALY CITY

415 Westlake Center

### EAST PALO ALTO

1735 East Bayshore Road

### NORTH FAIR OAKS

3117 Middlefield Road

### REDWOOD CITY

575 Middlefield Road

### SAN MATEO

1515 South El Camino Real

### SOUTH SAN FRANCISCO

150 El Camino Real

### HALF MOON BAY *NEW*

40 Cabrillo Highway North

## CONTACT US

### ONLINE

[www.smcu.org](http://www.smcu.org)

### MAILING ADDRESS

P.O. Box 910

Redwood City, CA 94064-0910

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