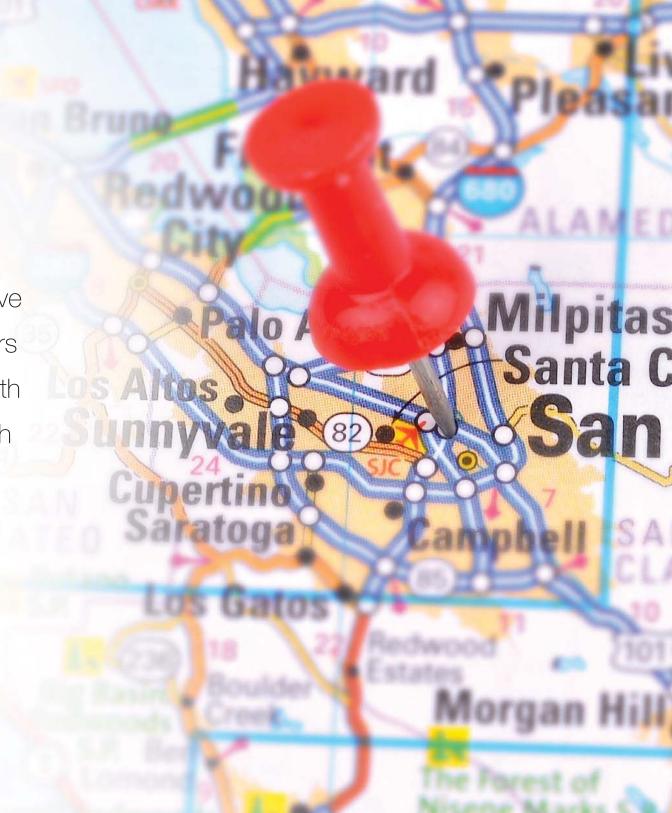


A different kind of "bank"

Star One Credit Union is one of Silicon Valley's largest, member-owned financial institutions. We've been serving Santa Clara County for over 60 years with more than 100,000 members worldwide. With assets over \$8.98 billion, Star One is ranked tenth in total assets among over 6,000 credit unions nationally. At Star One, members expect great personal service, above-average yields on deposits, and below-market rates on loans.





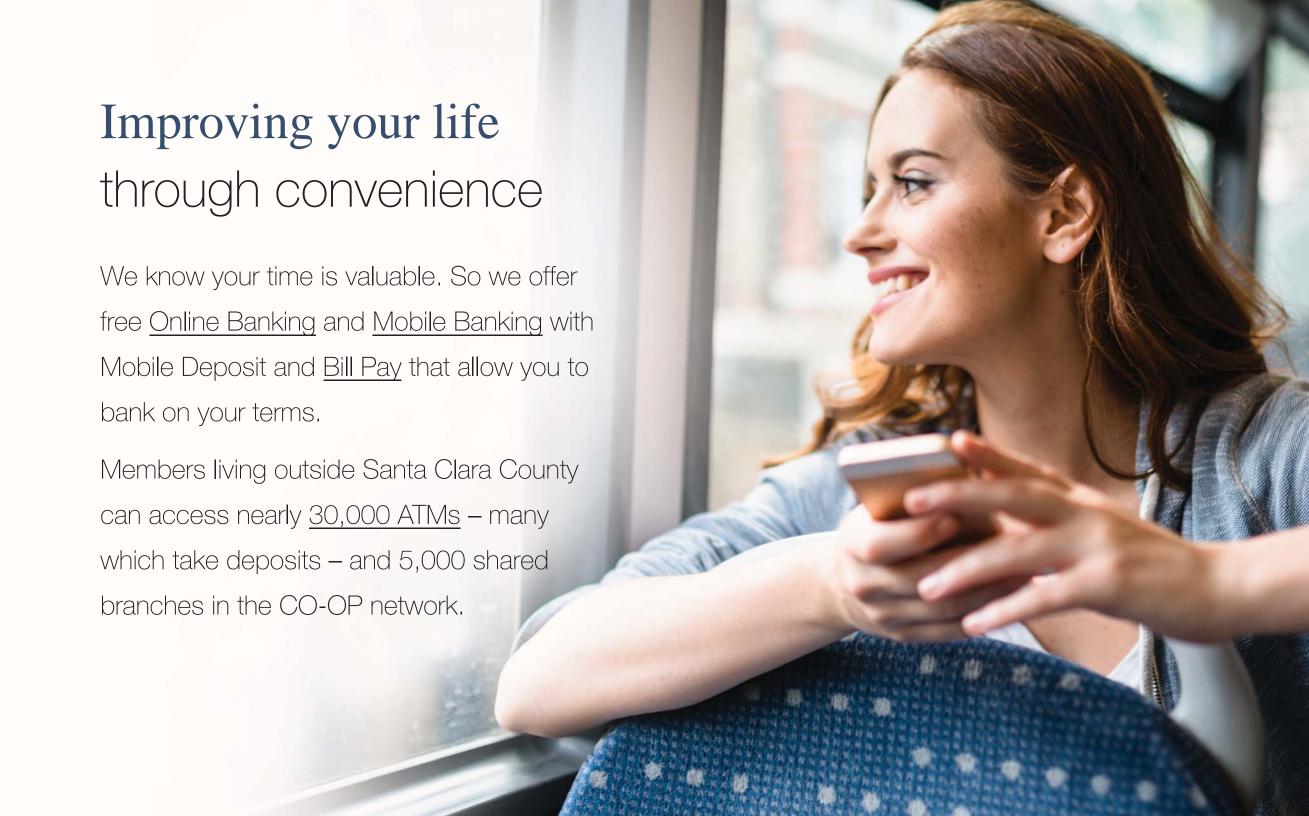


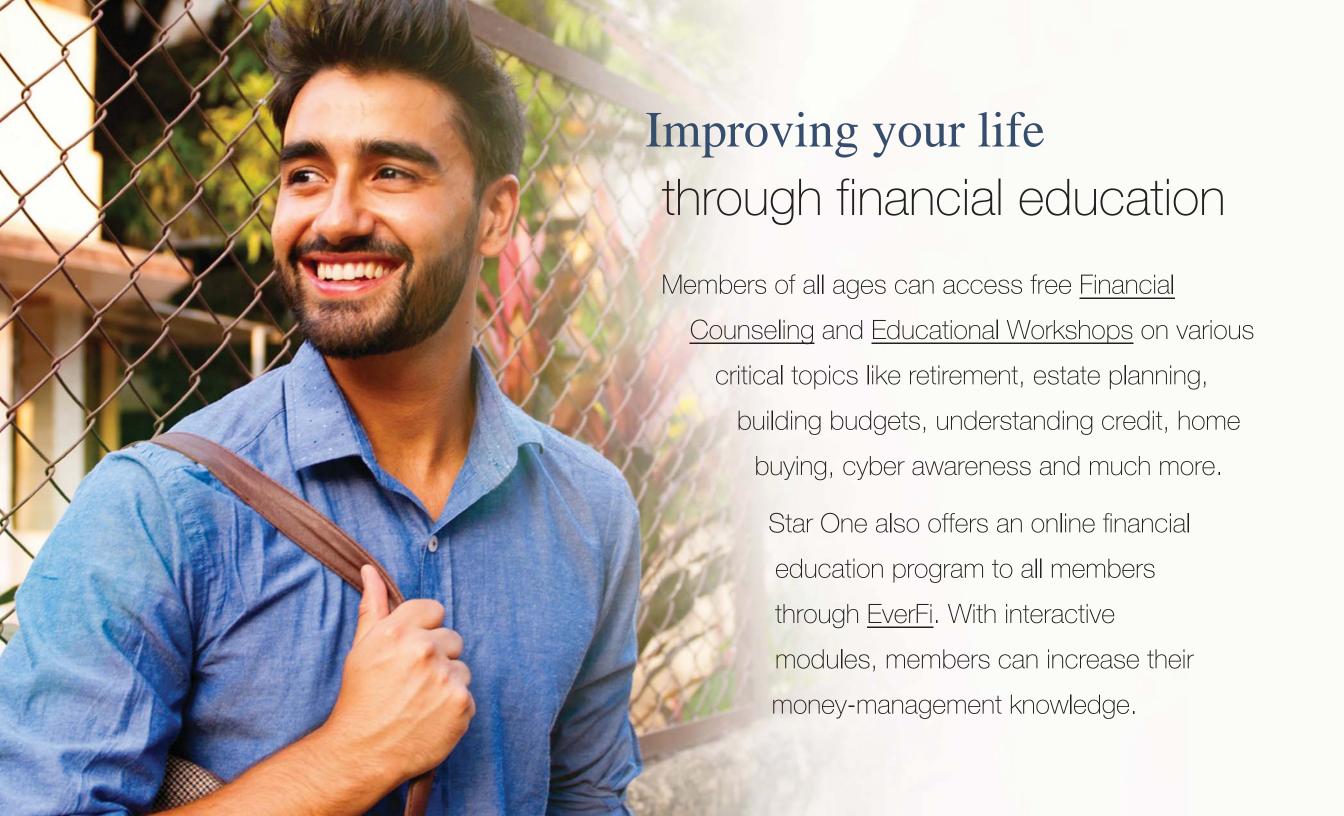
Improving your life by giving you more

The Credit Union National Association (CUNA) recognized Star One as the top credit union for the fourth consecutive year for providing the most direct financial benefits to its members.















Board Report



Doug Flowe
Chair

This year, Star One proudly celebrated the milestone of serving over 100,000 members. As we welcome more people to join Star One, our mission to improve each member's life by delivering valuable financial products and services doesn't waiver.

As a credit union, we are fundamentally structured to fulfill this mission: profits go back to members in the form of higher returns, lower loan rates, nominal or no fees, and innovative technologies to make "banking" more convenient and secure for everyone.

But, unlike banks and other for-profit financial institutions, our board is made of unpaid

volunteers who willingly devote their time and experience to serving the membership.

Together with the Star One staff, they use wisdom, sensibility, and conservative management strategies and policies – not trend-driven or rash decision-making – to steer the organization, ensuring it remains the solid and financially-sound credit union that's been trusted for over 60 years.

In March 2017, Gae Adams announced her retirement from her position as board chair since being elected in 2011. After 18 years total of serving on the board of directors, we are grateful for her service and her leadership in this role. Gae and the board chairs before her, led the board in making sound decisions that brought tremendous value to the members while building member loyalty. Going forward, I and the board members will strive to continue the methods and values that make

Star One as successful as in years past.

Likewise. Richard Heldebrant announced his retirement from his position as president and CEO at the end of 2017. Having joined in 1997, he brought extraordinary talent and a deeply analytical approach to managing the Credit Union. His philosophy of "less is more" set the tone that kept us keenly focused on members, and pushed Star One to be the best among credit unions. Under his leadership, assets have grown to \$8.98 billion and we now have over 101,000, members. Star One grew to become the 10th largest credit union in the nation out of 5,847 credit unions while consistently achieving high member satisfaction scores (currently at 98%) and multiple industry awards.

As we wish Rick success in his new endeavors, we thank him for his tireless dedication to helping Star One be an example

Board Report continued

in the industry.

While many banks try to maximize profits only for the board and shareholders, Star One works to give more back to the membership. In the second quarter of 2017, Star One posted numbers that greatly surpassed the previous quarter's industry average dividends-to-income ratio, according to an article by creditunions.com. As they reported, the industry average of dividends-to-income ratio in the first quarter of 2017 was 9.5%. Star One reported a second quarter 2017 dividends-to-income ratio of 28.9%, nearly three times more than the industry average for the first quarter.

For Star One, giving more to members also means providing exceptional and individualized member service. In 2017, Star One achieved its highest Overall Service Satisfaction score ever received from Raddon Financial Group. These results were 'nearly four points over the "Very Satisfied" score and seven points above the "Extremely Likely to Recommend" score reported in 2016.

Member satisfaction is also measured routinely through transaction surveys, and the Branch Advisory Group where local members give their candid feedback to branch managers about their experiences and offer suggestions. This way, we not only open genuine communications with members, but we gather valuable input that helps us continually improve the Credit Union.

Financial literacy and education are keys to building lasting wealth. In the summer of 2017, Star One expanded the interactive online EverFi financial education modules to all members with a goal to enhance their financial savvy. Now, members of all ages can access these lessons at no additional cost.

And as in years past, Star One hosted multiple live and online educational workshops to further equip members with critical tools. The workshops revolved around understanding credit reports, retirement and legacy planning, preparing and paying for college, building a budget, buying a home or auto, safeguarding against ID theft, and much

more. Some, such as the popular Age Well, Plan Well workshop were filled to capacity, indicating the need for helpful and practical guidance for life's important financial stages.

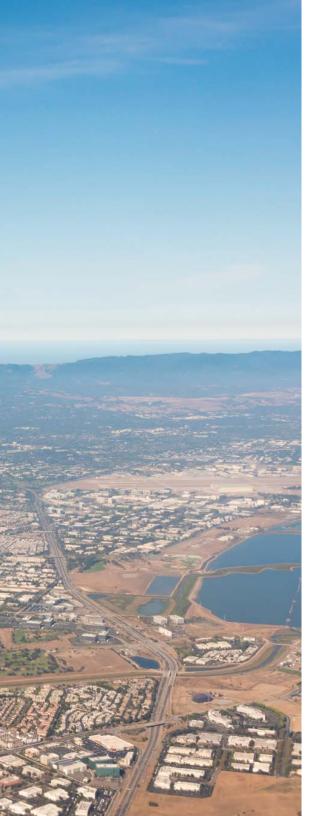
We do our utmost to serve our members,

hile many banks try to maximize profits only for the board and shareholders, Star
One works to give more back to the membership.

and we're honored to also serve members of the <u>community</u>. In 2017, Star One donated more than \$341,000 to local organizations who provide resources and assistance to individuals and families around Santa Clara County. In addition, Star One employees gave more than \$25,400 in financial and in-kind donations and numerous hours of

personal time to these organizations which help veterans, families, children, the homeless, those facing physical or medical challenges, local animal shelters, and the environment. These include Second Harvest Food Bank, the American Heart Association, Meals on Wheels, Silicon Valley Humane Society, Morgan Autism Center, Organs R Us, Assistance League, American Diabetes Association, Family Giving Tree, Prostate Cancer Research, Cake4Kids, Toys for Tots, and HomeFirst, to name a few.

The year ahead holds many opportunities for growth and continuing success. It will be the goal of the Star One board, executives, management, and staff to keep the momentum of a successful 2017 going in 2018 and well into the future.



President's Report



Gary Rodrigues
President & CEO

Through many changes and accomplishments in 2017,
Star One's mission of improving each member's life by delivering valuable products and services was in clear focus. This mission drives every business decision we make, and it's at the heart of how we serve our members.

We prepared for the retirement of Rick
Heldebrant as president and CEO, and Gae
Adams as board chair. These two leaders
contributed so much to the success of Star
One with judicious management and
thoughtful expertise. We wish them the very

best, and will stay strongly devoted to maintaining the legacy of achievement they leave behind.

2017 marked another year in remarkable growth for Star One. We granted over \$335 million in consumer loans, including auto loans, and \$687 million in real estate loans, and still charge-offs remain low at 0.01%. Savings and checking grew to \$6.56 billion. Members opened 7,726 new memberships making Star One part of their wealth-building strategy. Yet, our fees and loan rates remain lower than many of our peers.

This combination of competitive returns and low loan rates and fees earned Star One the Member Benefits Top Performance Award for the fourth consecutive year from the Credit Union National Association (CUNA). According to their analysis, Star One's annual benefits

per household increased to \$1,614, for the 12 months ending June 30, 2017. Total benefits delivered to all of Star One's members were \$83,298,073, the highest ever reported by Star One or any other credit union. This recognition pleases us to know that how we operate Star One directly impacts each member in a positive way.

Providing top-quality service with the financial tools members need is a core tenet at Star One. The results of the three primary surveys that are used to evaluate the quality of service provided to members were the best ever reported, including the highest member satisfaction rating of 98%. And our already valuable products and services were enhanced this year to give members more value, rewards, convenience, and security.

For instance, Star One introduced the Student

President's Report continued

Loan Refinance Program to help students and their families potentially save money and simplify debt by consolidating both private and federal student loans. We were also excited to partner with Affinity Trusts to provide members with free estate planning consultations and discounted, professional estate planning services at a fraction of the cost of these services elsewhere.

The rewards on Star One's Visa Signature
Rewards Credit Card were increased from
1.25% to 1.50%, allowing members to earn
more with each dollar spent, and the travel
rewards website was revamped to be more
streamlined. Then, we made it easier for
members to qualify for Rewards Checking,
which earns the same return as our Money
Market Savings Account, by requiring only a
primary membership to be enrolled in
eStatements, eTaxes, and eNotices.

Recent upgrades to our ATMs provide more customization and allow members to receive a text or email receipt instead of paper. For even

more convenience and options, we unveiled an Interactive Teller Machine at the newest Big Basin Branch that is equipped with a phone and monitor that allows members to make transactions with remote Star One employees. And now, with our new online "Wait Smarter" feature, members coming to a branch can plan their visit better by checking wait times, if any, or by remotely signing in to speak with a Member Service Representative from any PC or mobile device.

As financial technology evolves, Star One was pleased to partner with eZforex, a foreign exchange company, and Ripple, the creator and developer of a payment protocol and exchange network to successfully complete the first international remittance using the newest industry standard, blockchain technology. This leading-edge technology will give members another funds-transfer option that is more convenient, less expensive and more secure.

We worked diligently to improve how

members manage their accounts online. For instance, those applying for auto loans online can now access a user-friendly <u>application</u> and benefit from an efficient loan process since we converted to the Credit Union Direct

to all of Star One's members were \$83,298,073, the highest ever reported by Star One or any other credit union. This recognition pleases us to know that how we operate Star One directly impacts each member in a positive way.

Lending (CUDL) 360 system. And in the fall, Star One took on the task of converting Online Banking to improve its function, provide greater flexibility for future enhancements, and to better unify it with the straightforward and useful Mobile Banking already familiar to members. This undertaking did not come without challenges; we learned a lot and are continuing to make improvements. We are thus pleased that members can now enjoy a superior online banking experience. In fact, the new website received the highest score ever given by Banking User Experience (BUX) Advisors, an independent firm, as part of their website evaluation project.

With a new year in view we are poised to make more positive changes and achieve more while being a secure place to build and manage your wealth.

Treasurer's Report



Scott Dunlap
Treasurer

Strong year financially. The Return on Assets for 2017 was 0.64%. Our Net Worth ratio remains strong at 10.90%. Our federal regulator considers a credit union with a ratio of 7.00% to be well capitalized.

Assets grew 1.8% (11.2% excluding borrowed funds) from \$8.82 billion in 2016 to \$8.98 in 2017. Borrowed funds decreased \$586 million to \$1.44 billion in 2017. 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 our portfolio.

Membership increased 3.6% to 101,752. A record 7,726 new members joined Star One during 2017 compared to 6,963 in 2016. This was the highest membership growth in our history. More than 55% joined from our community charter, another 38% joined through family members, while 5% joined through other member companies. Over the past few years we have seen very strong growth in new members coming from Santa Clara County with 82% of all new members coming from this region.

Deposits grew \$699 million, up 11.9% from \$5.86 billion in 2016 to \$6.56 billion in 2017. Checking increased 13.7% to \$391 million. Money Market Savings Accounts grew 13.1% to \$5.54 billion. Certificates of Deposit grew 5.2% to \$253 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 5.3%, to \$3.86 billion. The majority of the growth was in mortgages. Many new and existing members took advantage of the lower mortgage rates and increasing home prices. Total first real estate loans increased 4.4%, up \$130 million for the year. Auto loans increased 10.9%, up \$22 million. Consumer loan growth was strong at 7.72%. Consumer loan delinquency remained low at 0.19% in 2017. 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.

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.



Supervisory Committee Report



Christina Goeas
Chair

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 2017 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 2017, 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 audit programs 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.

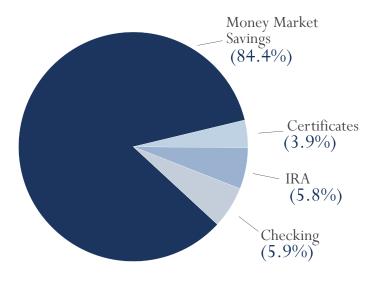


Financial Information

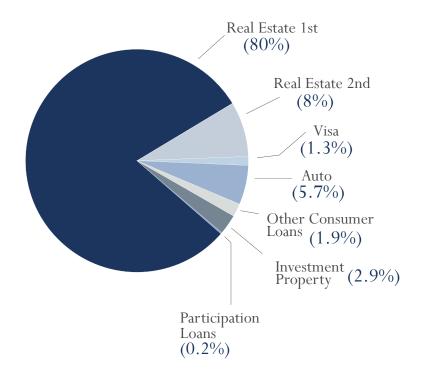
ASSETS

Federal Agency Loans to Mortgage Members Backed Securities (42.9%)(28.7%)Other Assets (4.7%)Federal Agency Federal Agency Collateralized Securities Other (18.7%)Mortgage Investments Obligations (0.7%)(4.3%)

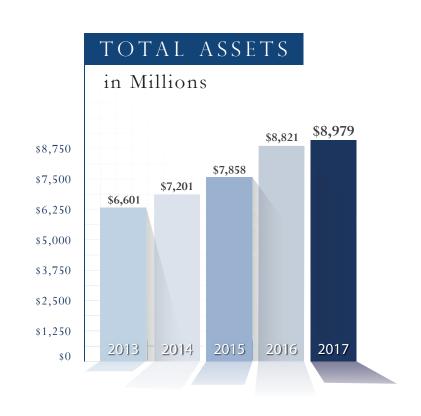
SAVINGS



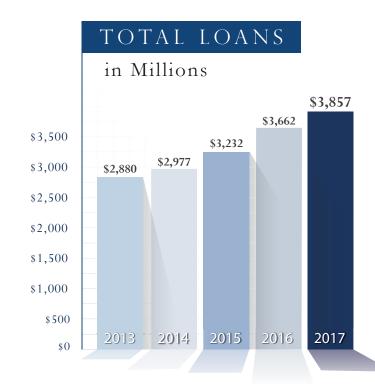
LOANS



Financial Highlights







Comparative Financial Results

Total Liabilities & Member Equity	\$8,978,909	\$8,820,865	_
Accrued Liabilities	\$42,602	\$45,317	_
Accumulated Other Comprehensive Income	(\$20,214)	(\$27,276)	
OCI Derivative Market Gain/(Loss)	\$17,760	\$14,057	
Unrealized Gain (Loss) on Investments	(\$47,620)	(\$24,237)	
Undivided Earnings	\$920,936	\$862,071	
Regular Reserves	\$56,851	\$56,851	
Borrowed Funds	\$1,438,900	\$2,024,400	
Accounts Payable	\$6,293	\$5,710	
Liabilities & Member Equity Member Savings & Certificate Accounts	2017 \$6,563,401	2016 \$5,863,972	
Total Assets	\$8,978,909	\$8,820,865	_
All Other Assets	\$95,411	\$59,369	_
Deposit-Share Insurance Fund	\$51,886	\$46,409	
Accrued Interest Receivable	\$21,874	\$19,567	
Land, Building & Equipment	\$14,971	\$15,571	
Less: Allowance for Loan Losses	(\$4,537)	(\$4,214)	
Loans to Members	\$3,857,007	\$3,662,215	
Assets Cash and Investments	2017 \$4,942,297	2016 \$5,021,948	
Statement of Financial Co		2017	
Dividends Paid to Members	\$65,435	\$45,484	43.9%
Cash and Investments	\$4,942,297	\$5,021,948	-1.6%
Member Equity	\$927,713	\$881,466	5.2%
Delinquent Loans	\$2,163	\$1,689	28.1%
Loans to Members	\$3,857,007	\$3,662,215	5.3%
Member Savings and Certificate Accounts	\$6,563,401	\$5,863,972	11.9%
Total Assets	\$8,978,909	\$8,820,865	1.8%
Year End Summary IN THOUSANDS	2017	2016	% Chang

Statement of Operations IN THOUSANDS	2017	2016
Income		
Interest on Loans	\$128,902	\$116,564
Investment Income	\$80,350	\$63,133
Other Operating Income	\$7,949	\$8,143
Total Income	\$217,201	\$187,840
Operating Expenses		
Employee Compensation	\$32,486	\$27,917
Retirement Plan Valuation	\$1,265	(\$2,200)
Office Occupancy	\$2,469	\$2,296
Office Operations	\$7,775	\$7,359
Loan Servicing	\$5,382	\$5,346
Professional & Outside Services	\$3,196	\$2,664
Provision for Loan Losses	\$1,083	\$1,184
Operating Fee	\$502	\$462
Other Operating Expenses	\$4,299	\$3,710
Total Operating Expenses	\$58,457	\$48,738
Income from Operations	\$158,744	\$139,102
Non-Operating Income (Expense)	\$52	\$477
Net Income Before Distribution	\$158,796	\$139,579
Dividends	\$65,435	\$45,484
Interest on Borrowed Money	\$34,496	\$31,964
Added to Reserves & Undivided Earnings	\$58,865	\$62,131

Comparative Financial Results continued

Thank you so much for April 6, 2017 your gift of \$3,500. This will enable us to put food on Athena Capwell Star One Credit Union tables and hope in hearte P.O. Box 3643 Sunnyvale, CA 94088-3643 oof that the credit union Dear Ms. Capwell, Star One Credit Union Board of Direct of the families who are Struggling Committee, make end meet. I can't begin to thank you enough for your gift of \$10,00 Many leanke to all of egon Because of your gift, so many people are receiving a wa support us to prevent write this letter I can't help but remember a young ACREP Community mpace management of the Acres of the Acre F. 8, 2017. Thank you for joining our factories the service 's so very much more to be done. ost 5,000 men, women, and children like my little friend, or 8, 2017. Thank you for joining our family and opening doors for inity. dical care, permanent housing, and so much more. We look rt in 2017. Thank you for all you do to end homelessness. impussed by Star, ONe's supart to those in need warmly, as to meet an immediate need - help with the they walked through sacred are mothers, mentors and leaders. The first time they walked through Sacred of the food and clothing and children and sale of the food and clothing and children and opportunities for their children and opportunities for the food and clothing children and opportunities for the food and children and opportunities for the food and children and opportunities for the food and children and chi ing a difference! 3 a supportive, nurruring place in connector their children and Tiles who are working hard to create a bright future for themselves and THE PORTINE, MITTURING Place to connect and grow. -- contribution. oming year, their answers were similar: peace, equality, vese hones can become a reality as we come together to Tanya-Thank you for your very generous support of Take Steps 1 40 support of esible for Rubi. Sol and Mayra to create a



Improving the lives of our community

The Star One family is devoted to the <u>community</u> we serve and strives to be a strong corporate citizen and good neighbor.

We work with various organizations in Santa Clara County to support their worthy causes through direct financial donations, in-kind contributions, and by sharing time in volunteer activities.

2017 Benefactors

ALS Association - Golden West Chapter • Alzheimer's Association • American Cancer Society, Inc. • American Diabetes Association, Inc. • American Heart Association • Assistance League of San Jose • Autism Speaks, Inc. • Bay Area Cancer Connections • Blossom Birth Services • Books for Treats • Breathe California of the Bay Area • Cake4Kids • Crohn's and Colitis Foundation • Cystic Fibrosis Research, Inc. • Cancer CAREpoint • Child Advocates of Silicon Valley • Citizen Schools • Cupertino Education Endowment Foundation • Cystic Fibrosis Research, Inc. • Employment & Community Options • Family Giving Tree •





2017 Benefactors continued

Family Supportive Housing • Fresh Lifelines for Youth • Friends of Stevens Creek Trail • Happy Hollow Park & Zoo • Health Trust - Meals on Wheels • HomeFirst • Humane Society Silicon Valley • Jacob's Heart Children's Cancer Support Services • Live Oak Adult Day Care Services • Lucile Packard Foundation for Children's Health • Lupus Foundation of Northern California • Morgan Autism Center • National Alliance on Mental Illness • The National Credit Union Foundation • NephCure Kidney International, Inc. • Nike Animal Rescue Foundation • Operation: Care and Comfort • Organs 'R' Us • San Jose Day Nursery •

2017 Benefactors continued

Pancreatic Cancer Action Network, Inc. • Sacred Heart Community Service • San Andreas Regional Center • Saratoga Adult Day Care Center • Second Harvest Food Bank of Santa Clara and San Mateo Counties • Silicon Valley Community Foundation • Silicon Valley FACES • Special Olympics Northern California • Stanford Health Care • Stroke Awareness Foundation • Sunday Friends • Sunnyvale Community Services • Support LeeAnne • The Tech Museum of Innovation • Marine Toys for Tots Foundation • VMC Foundation • West Valley Community Services



Letters from the Community

Dear Friends at Star One,

Words come short in expressing our gratitude for your kindness and generosity. Imagine a world where every business cared like you do!...I wanted to send along a personal heartfelt thank you. We will match every dollar with a measure of love.

Warmly,
Lori Butterworth
Founder, Jacob's Heart



...[your gift] will enable us to put food on tables and hope in hearts of the families who are struggling to make ends meet.

Many thanks to all of you who support us to prevent homelessness and fight hunger in our communities.

Kohinoor Chakravarty Ph.D., MSW West Valley Community Services



Letters from the Community continued

...I am touched and overwhelmed by generous individuals like you who are making sure that no one in our community has to face breast or ovarian cancer alone.

..It is kindness like yours that helps to make our work possible.

Colleen Carvalho, MA Bay Area Cancer Connections ...As our presenting sponsor, you helped make the walk very special and funded much needed research for our patients.

Thank you!

Meredith Imrie
Crohn's & Colitis Foundation
Northern CA Chapter







2017 ANNUAL REPORT

Board of Directors

Doug Flowe

David Daggett

1st Vice Chair

2nd Vice Chair.

Scott Dunlap

Assistant Treasurer

Jeff Gaut

Treasurer

Chair

Secretary

Bruce Bachant

Assistant Secretary

Richard Aochi

Martin Eng
Director

Patricia Humecke

Director

Leslie Varr
Director

Gae Adams
Emeritus Director

Bill Lewis
Emeritus Director
Jack McElravey

Emeritus Director

Supervisory Committee

Christina Goeas

Chair

Melissa Henck

Secretary

Ponprom (Mel) Flynn

Member
Triny Lee
Member

Cyrus Tabari

Member

Committee Associates

Bernard Barlow

Brian Lawler

Star One Management

Gary Rodrigues

President & CEO

Margarete Mucker

Executive Vice President,

Operations

Brian Ross

Executive Vice President, Finance & Administration

Richard Aubrey

Senior Vice President, Treasurer

Kevin Collins

Senior Vice President, Loan Services

Lynn Brubaker Vice President, Remote Services

Joe Fagenstrom

Vice President, Marketing

Koji Fukumoto
Vice President, Audit

Shaneel Maharaj

Vice President, Deposit Services

Russ McAlpine

Vice President, Information Systems

Sandra Moix

Vice President, Branch Services

Regina Rutledge

Vice President, Human Resources

Ann Sebastian

Vice President, Controller





De Anza Branch | CUPERTINO

10991 N. De Anza Boulevard, Cupertino, CA 95014

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

Administration Office

1306 Bordeaux Drive, Sunnyvale, CA 94089

Mailing Address

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