

*more than  
just money* **BSCU**

# 2014 ANNUAL FINANCIAL REPORT



BECU is here for you, our members. We're not only here to help with your financial matters, but to assist with some of the most important financial decisions you'll make. Whether it's for a new home purchase, saving for college or planning for retirement, we can help.

BECU is also here for our community. Supporting the local communities in which we work and live is a natural extension of our commitment to our members. Throughout the year, our non-profit grants and scholarships to both schools and students provide education and financial literacy.

BECU is your financial institution, one that cares, and one that I am proud to call my credit union.

## BECU IS COMMUNITY

I'm particularly proud of the work accomplished with BECU School Grants. BECU's Grants focus on financial literacy, a subject too often dismissed or overlooked. We're excited to be able to provide students with the tools and information that will help them make sound financial decisions.

BECU also is proud to support deserving students through our annual scholarship program. Scholarships are awarded to student members based on academic achievement and community service. In 2014, BECU increased both its student scholarship amount (from \$2,500 to \$3,000) and the number of student recipients: 75 deserving high school and college students received funds that could be used toward education, housing or supplies.

## 5 LARGER BECU LOCATIONS

Last year, we expanded a number of our Neighborhood Financial Centers: Auburn, Bothell, Burlington, Federal Way Crossings and the Kent NFC were all relocated to nearby, larger facilities.

Just as encouraging is the number of members who are using BECU's mobile app, ATMs and online banking. Over the past year we have seen a large increase in members who are taking advantage of our mobile app's deposit capability.

## BECU IS YOU

Any company can use social media – but are they listening? Responding? Find us on Facebook, Twitter, Yelp, BECU News Center, the BECU Newsletter (email signup ) and more – and share your comments! Last year we implemented a number of changes based

on member comments, from additional member consultant staff and an online scheduling tool ([www.becu.org/appointment](http://www.becu.org/appointment)), to improving our website and reorganizing our mortgage loan process, those were opportunities created by you.

## TELL US MORE

Let's continue the conversation. If you appreciate our efforts or have an idea in how we might be able to serve you better, let us know. We intend you earn your trust every day. Whether a longtime or new member, we value you and thank you for being a part of BECU.

Mike Sweeney, Board Chairman





In 2014, members were able to save more, invest more, and make purchases big and small. The stable economy and soaring job market contributed to BECU's growth: Not only are we safe, sound and well-capitalized, but our financial strength is solid.

### BECU FINANCIAL REPORT

As a credit union, the better we do, the more we can return to our members. The 2014 net income of BECU totaled \$180.5 million. Money in your pocket? You bet! Last year, BECU returned to members a total of \$149 million in the form of better rates, fewer fees and more affordable financial services compared to an average bank. That's an average of \$171 to each member.

ON AVERAGE  
**\$171**  
RETURNED TO EACH MEMBER

Our financial strength also allows us to explore a variety of additional member benefits: We don't just return money to members via excellent rates and lower fees, but also look for ways to make banking with BECU easier with new financial centers, ATMs, updated technology and much more! It all comes down to a constant evaluation of that member experience. When you see added products or services, such as our appointment scheduler, it's just another example of a member reward. In short, at BECU, we're constantly looking for ways to give back.

### THE FINE PRINT

BECU concluded 2014 with a net worth ratio of 10.25%, an improvement over last year's terrific ratio of 9.70%. Such figures translate to a well-capitalized credit union, a standard established by Congress and the National Credit Union Administration (NCUA). Not only does our net worth ratio reflect the sound practices at BECU, but stands as a testament to always ensuring your credit union is safe and sound.

I'm always excited by the stories behind the numbers. In 2014, BECU experienced strong loan growth, loans that helped members buy their dream home or finance their first car. Our BECU Visa® credit card is another great product making a difference. One of the card's benefits is a rate that can go down annually if your credit score goes up. Just by improving their credit score, thousands of members received a lower rate on their credit card in 2014!

As we greet the spring, I am grateful for so many individuals choosing to belong to BECU. Your commitment is greatly appreciated, a commitment we value and will continue to honor with hard work on your behalf.

Sincerely,

Kathy Elser, CFO



# BECU AND SUBSIDIARY CONSOLIDATED

## SUMMARY STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31

(in thousands)

	2014	2013
Interest Income	\$370,094	\$358,694
Dividend & Interest Expense	45,541	49,994
Net Interest Income	<b>324,553</b>	<b>308,700</b>
Provision for Loan Losses	14,214	6,534
Net Interest Income after Provision for Loan Losses	<b>310,339</b>	<b>302,166</b>
Service Fees and Non-Interest Income	137,721	171,089
<b>Non-Interest Expense</b>		
Compensation and Benefits	104,216	98,964
Product Servicing	66,471	58,783
Occupancy and Equipment	45,029	39,947
General and Administrative	28,428	46,135
Other Operating Expense	23,457	20,268
<b>Total Non-Interest Expense</b>	<b>267,601</b>	<b>264,097</b>
<b>Net Income</b>	<b>\$180,459</b>	<b>\$209,158</b>

## SUMMARY STATEMENTS OF COOPERATIVE EQUITY

(in thousands)

	Cooperative Equity
Balance at January 1, 2013	<b>\$918,336</b>
Net Income for 2013	209,158
<b>Accumulated Other Comprehensive Income (Loss)</b>	
Unrealized Loss on Securities Available-for-Sale	(26,755)
Unrealized Gain on Employee Benefit Trusts	7,088
Change in Obligation for Benefit Plans	31,230
Balance at December 31, 2013	<b>\$1,139,057</b>
Net Income for 2014	180,459
<b>Accumulated Other Comprehensive Income (Loss)</b>	
Unrealized Gain on Securities Available-for-Sale	10,465
Unrealized Gain on Charitable Donation Account	424
Unrealized Gain on Employee Benefit Trusts	5,360
Change in Obligation for Benefit Plans	(35,795)
<b>Balance at December 31, 2014</b>	<b>\$1,299,970</b>

## SUMMARY STATEMENTS OF FINANCIAL POSITION FOR THE YEARS ENDED DECEMBER 31

(in thousands)

	2014	2013
<b>ASSETS</b>		
Cash & Cash Equivalents	\$1,052,468	\$1,200,112
Loans Receivable, Net	8,284,981	7,374,731
Investments	3,112,835	2,788,814
Interest-Bearing Deposits & FHLB Stock	22,483	23,203
Interest Receivable	47,569	43,357
Premises & Equipment, Net	69,873	55,792
NCUSIF Deposit	105,826	99,781
Charitable Donation Account	55,647	-
Employee Benefit Trusts	218,029	208,515
Other Assets	81,054	138,251
<b>TOTAL</b>	<b>\$13,050,765</b>	<b>\$11,932,556</b>
<b>LIABILITIES AND COOPERATIVE EQUITY</b>		
<b>Liabilities</b>		
Member Savings Deposits	\$4,304,554	\$3,850,778
Money Market Accounts	2,721,060	2,598,025
Share Checking Accounts	2,374,145	1,969,631
Certificates	1,922,826	2,057,628
Individual Retirement Accounts, Variable	180,903	176,225
	<b>11,503,488</b>	<b>10,652,287</b>
Dividends & Interest Payable	1,661	1,583
Term Borrowings	125,525	25,000
Other Liabilities	120,121	114,629
	<b>247,307</b>	<b>141,212</b>
<b>Equity</b>		
Cooperative Equity	1,337,630	1,157,171
<b>Accumulated Other Comprehensive Income (Loss):</b>		
Unrealized Loss on Securities Available-for-Sale	(8,514)	(18,979)
Unrealized Gain on Charitable Donation Account	424	-
Unrealized Gain on Employee Benefit Trusts	12,448	7,088
Recognition of Obligation for Benefit Plans	(42,018)	(6,223)
	<b>1,299,970</b>	<b>1,139,057</b>
<b>TOTAL</b>	<b>\$13,050,765</b>	<b>\$11,932,556</b>



This past year was one of innovation: BECU added, updated and expanded in numerous ways to improve your member experience. Members gained the ability to see wait times at our locations, pre-schedule branch appointments online and saw the addition of 136 new BECU cash-dispensing ATMs at RITE AID stores across Washington. In 2015, we embrace our 80th year, we will continue to roll out improvements that will benefit you, the member. It's a bright future, indeed.

## 80 YEARS AND 1 MILLION STRONG

It seems 2015 will be the year for milestones. In 1935, 18 Boeing employees, contributed 50 cents each to create what would later become BECU. The first loans were to help fellow Boeing employees buy

the tools needed to do their jobs. Now, on our 80<sup>th</sup> anniversary, we're approaching the 1 million member mark – imagine what those 18 employees would think of their initiative!

## DIGITAL ADVANCEMENTS

### Money Management:



A big focus throughout 2014 and into this year is utilizing technology. BECU introduced Money Manager, a program members can use to create budgets, track spending and even customize accounts alerts.

### Website:



Launched in March 2015, it's easier than ever to navigate the redesigned [www.becu.org](http://www.becu.org). Our new website is engineered for an optimized digital experience – whether viewing on a mobile device, tablet or desktop – with many member-inspired upgrades.

### ApplePay:



Members requested the addition of ApplePay, which we were pleased to introduce in February of 2015. BECU is one of the few credit unions to feature this technology, and our early adapters (using an iPhone 6 or 6+) love the ease of use.

### The ATM Movement:



It's been a banner year for BECU ATMs. In addition to the 2014 rollout of RITE AID store ATMs, we've recently introduced new ATM screens with more user-friendly screen designs. The updated interface features attractive visuals that make for quick and efficient transactions.

## NFC EXPANSION

We're constantly seeking ways to improve your credit union experience. In 2014, we expanded and relocated five of our financial centers. We also significantly cut wait times: Each branch added member consultants

and adopted our online appointment scheduler ([www.becu.org/appointment](http://www.becu.org/appointment)). We also revamped the personal loan process, making improvements to allow for smoother and faster transactions.

It's exciting to celebrate such landmarks. Yet it's important for BECU to always remember that, no matter our size, our focus remains on our members: aiding each member with the time, education, financial tools, and affordable products to make their experience the best it can be. Thank you for allowing us to be part of your financial success. The past is remarkable, and the future promises to be even more so.

Thank you for being part of BECU,

*J. Benson Porter*  
Benson Porter, CEO





## 2014 AUDIT COMMITTEE ANNUAL REPORT

During 2014, the members of the Audit Committee were Brian Abeel, Robin Krueger, Michelle Eten, Jane Repensek, and Maurita Sutedja. The Chair of the Audit Committee was Brian Abeel. The Audit Committee held five meetings during 2014.

The Audit Committee retained the independent public accounting firm of Moss Adams LLP to perform the audit of BECU's 2014 financial statements. The Audit Committee has reviewed and discussed BECU's 2014 audited financial statements with Moss Adams LLP, the credit union's Chief Audit Executive, and management. No significant concerns were noted.

In carrying out its responsibilities, the Audit Committee believes that appropriate internal controls are in place at BECU and that the 2014 financial statements accurately reflect the strong financial position of the credit union.

Brian Abeel, Chairman  
BECU Audit Committee

### BECU BOARD OF DIRECTORS AND AUDIT COMMITTEE



MICHAEL SWEENEY  
Board Chairman,  
BECU Board of Directors



DAVID YONCE  
Vice Chairman,  
BECU Board of Directors



PORSCHÉ EVERSON  
BECU Board of Directors



DENIS FARMER  
BECU Board of Directors



BILL LONGBRAKE  
BECU Board of Directors



ROGER MAULDIN  
BECU Board of Directors



DESIREE SERR  
BECU Board of Directors



DEBRA SOMBERG  
BECU Board of Directors



BRIAN ABEEL  
BECU Board of Directors,  
Audit Committee Chairman



MICHELLE ETEN  
BECU Board of Directors,  
Audit Committee



ROBIN KRUEGER  
BECU Board of Directors,  
Audit Committee



JANE REPENSEK  
Audit Committee



MAURITA SUTEDJA  
Audit Committee

## OVERVIEW OF AUDIT COMMITTEE ROLE

The Audit Committee has been established in accordance with state and federal law applicable to credit unions and with BECU's Bylaws. The Audit Committee meets regularly and carries out its responsibilities through discussions with, and review of materials provided by, the Chief Audit Executive, the Chief Compliance Officer, management and the public accounting firm engaged by the Committee.

## THE COMMITTEE'S PRIMARY RESPONSIBILITIES ARE TO:

- Oversee the audit of BECU's financial statements by an independent public accounting firm. While acknowledging that management has primary responsibility for BECU's financial reporting process and for preparing BECU's financial statements, the Committee engages an independent public accounting firm each year to perform an annual audit of the Credit Union's financial statements in accordance with audit standards generally accepted in the United States. The Committee reviews the firm's qualifications, independence and performance. The firm reports directly to the Committee.
- Review the performance of BECU's compliance management system.
- Review the performance of BECU's Audit Services Department. The Committee reviews certain internal audit reports and, through these reports, monitors the overall adequacy of internal controls at BECU. BECU's Chief Audit Executive reports directly to the Committee.
- Review examination reports by the Department of Financial Institutions, National Credit Union Administration, and the Consumer Financial Protection Bureau.
- Review management's response to any significant matters raised in an audit or examination.
- Provide an annual report to members at BECU's Annual Membership Meeting.



becu.org  
800-233-2328

All Washington State Residents Are Eligible To Join

Federally insured by NCUA



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