



*more than  
just money*

**BSCU**

2008



# *Annual Report*

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*RESPONDING TO A YEAR OF CHANGE*

*Last year was a year of uncertainty for many locally and globally, however BECU members can be certain about one thing – your credit union is a strong, safe and well-capitalized financial institution. And we are here to help our members through the uncertainty.*

*Jim Wadhvani, Chairperson of the Board*

*Dear Members,*

Your ongoing support and loyalty, along with the dedication of our staff and Board of Directors, allow BECU to continue serving our membership with leading financial services, even during these times of economic uncertainty that we face.

### PROVIDING RESPONSIBLE FINANCIAL SERVICES

Our founding and guiding principle to provide responsible financial services began during another tumultuous time in American history – the Great Depression. In 1935, 18 motivated Boeing workers each contributed 50 cents for a collective \$9.00 in deposits. The workers used their deposits to help each other buy the tools needed to do their jobs. And, 74 years later, that same cooperative spirit still guides everything we do.

### PROVIDING SOLUTIONS

Our guiding principle is what allows us to remain strong, safe and sound for our members. We are actively lending and providing much needed financial services and resources. We understand that mortgages and refinancing are on the minds of many, and in 2009 we expect to see a record year of mortgage loans as we attempt to help members who need assistance stabilizing their finances. We remain one of the industry leaders for mortgages in the Puget Sound region and we are honing all of our resources to meet as many needs as possible.

### PROVIDING MORE

As we look ahead into 2009, we have many programs and projects underway to help our members better manage their finances at BECU. We are opening new Neighborhood Financial Centers in Renton, University Village, and University Place in Tacoma. If you can't make it to one of our 46 BECU locations, we are also enhancing our remote services with a newly designed BECU Website, Online Banking, Mobile Banking and feature updates to our Snapshot® ATMs. We will continue to offer free financial education seminars and webcasts on topics such as Budgeting in Today's Economy, Finding & Selling Your Home, The New Retirement, Smart Budgeting and more.

As always, we remain committed to providing you the best member experience through every channel you use at BECU. Once again, thank you for your support and loyalty. We look forward to serving your needs in the future.

*Sincerely,*



Gary Oakland, President/CEO

## RESPONDING TO A YEAR OF CHANGE

In 2008, we saw strong growth in our membership and assets – we are now more than 580,000 members strong with \$8.7 billion in assets. We expect to see continuous growth in our membership as many in the Puget Sound region seek a financial institution that puts its members' long-term financial well-being ahead of short-term profit making.

## NEW & ENHANCED PRODUCTS & SERVICES

In spite of concerns in the financial services industry, in 2008 BECU achieved strong financial growth and continued expansion of products and services for membership. Here are a few items we saw come to life: seven new Neighborhood Financial Centers; new partnering relationship with area colleges – University of Washington, Seattle University and Everett Community College; conversion of ATMs to image enabled Snapshot ATMs.

## PROVIDING RELIEF

BECU has felt the affects of the current economic times through the lives of our members. We are committed to being there for our members and helping to provide assistance when times are difficult. In 2008, we implemented the Mortgage Relief Program. Thus far, we have made 47 mortgage relief loans for a total of \$16 million. Our efforts paved the way for a national credit union mortgage relief program introduced by the National Credit Union Administration (NCUA).

We also responded to member needs during the Boeing strike and South Sound flooding of 2008. Our Income Interruption Loan Program provided nearly 7,000 loan deferrals and over 1,200 relief loans for \$4.6 million dollars.

In the true cooperative spirit, in 2008 BECU provided funds, in-kind donations and volunteer time to vital community organizations with a focus on education, financial education, homeownership and the credit union movement. Most notably, we provided a grant to the Urban League of Metropolitan Seattle for distressed homeowners, operational support and capital for Express Credit Union – a low income credit union, over \$100,000 in local school grants, over 40 college scholarships through the BECU Foundation, and free financial education seminars.

## HELPING TO PROVIDE A BETTER ENVIRONMENT

In 2008, BECU continued our commitment to operate in more eco-friendly ways. We researched and implemented ways to be more efficient environmentally in many areas, from paper and printing options to the light bulbs that we use. We encouraged our members to join us in our green initiatives and take advantage of the free green-friendly services we offer: Online Banking, eStatements, Bill Payment, Direct Deposit, and our paperless mortgage signing and delivery process.

It is through a motivated staff and sound governance by our Board of Directors that BECU has succeeded in meeting the growing needs of our members during these challenging economic times. In the coming year, our members can trust that we will remain a strong, safe and solid solution for your financial and community service needs.

*Thank you for your continued loyalty and support of BECU.*

*Jim Wadhvani, Chairperson of the Board*



BECU is committed to sustaining a healthy environment.

| <b>BECU AND SUBSIDIARIES CONSOLIDATED</b>                           |                  | <i>(in thousands)</i> |
|---|------------------|-----------------------|
| <b>SUMMARY STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31</b> |                  |                       |
|   | <b>2008</b>      | <b>2007</b>           |
| Interest Income   | \$483,266        | \$456,407             |
| Dividend and Interest Expense                                       | 241,739          | 254,883               |
| Net Interest Income   | <b>241,527</b>   | <b>201,524</b>        |
| Provision for Loan Losses   | 141,442          | 44,644                |
| Net Interest Income after Provision for Loan Losses                 | <b>100,085</b>   | <b>156,880</b>        |
| Service Fees and Non-Interest Income                                | 110,787          | 98,079                |
| <b>Non-Interest Expense</b>   |                  |                       |
| Compensation and Benefits   | 74,648           | 65,030                |
| Product Servicing   | 39,274           | 40,500                |
| Occupancy & Equipment   | 38,862           | 33,551                |
| General and Administrative  | 32,755           | 32,199                |
| Other Operating Expense   | 18,133           | 13,764                |
|   | <b>203,672</b>   | <b>185,044</b>        |
| <b>Net Income</b>   | <b>7,200</b>     | <b>69,915</b>         |
| <b>Other Comprehensive Income (Loss)</b>                            |                  |                       |
| Unrealized gains on securities available for sale                   | 9,858            | 7,447                 |
| Additional Pension Liability  | (21,709)         | -                     |
| <b>Comprehensive Income (Loss)</b>                                  | <b>\$(4,651)</b> | <b>\$77,362</b>       |

| <b>BECU AND SUBSIDIARIES CONSOLIDATED</b>            |                        | <i>(in thousands)</i> |
|--|------------------------|-----------------------|
| <b>SUMMARY STATEMENTS OF MEMBERS' EQUITY</b>         |                        |                       |
|  | <b>Members' Equity</b> |                       |
| Balance at January 1, 2007                           |                        | <b>\$590,779</b>      |
| Net Income for 2007                                  |                        | 69,915                |
| <b>Accumulated Other Comprehensive Income (Loss)</b> |                        | -                     |
| Unrealized losses on securities available for sale   |                        | 7,447                 |
| Recognition of obligation for benefit plans          |                        | (3,574)               |
| Balance at December 31, 2007                         |                        | <b>\$664,567</b>      |
| Net Income for 2008                                  |                        | 7,200                 |
| <b>Accumulated Other Comprehensive Income (Loss)</b> |                        |                       |
| Unrealized gains on securities available for sale    |                        | 9,858                 |
| Recognition of obligation for benefit plans          |                        | (21,709)              |
| <b>Balance at December 31, 2008</b>                  |                        | <b>\$659,916</b>      |

**BE CU AND SUBSIDIARIES CONSOLIDATED**  
**SUMMARY STATEMENTS OF FINANCIAL CONDITION AS OF DECEMBER 31**

(in thousands)

|   | 2008               | 2007               |
|---|--------------------|--------------------|
| <b>ASSETS</b>                                     |                    |                    |
| Cash and Cash Equivalents                         | \$233,905          | \$266,199          |
| Loans Receivable, Net                             | 7,137,004          | 6,504,362          |
| Investments                                       | 941,742            | 594,009            |
| Collateral for Securities Lending                 | -                  | 96,335             |
| Interest-Bearing Deposits and FHLB Stock          | 77,174             | 446,258            |
| Interest Receivable                               | 50,483             | 49,120             |
| Premises and Equipment, Net                       | 75,263             | 66,128             |
| NCUSIF Deposit                                    | 57,692             | 51,844             |
| Other Assets                                      | 127,722            | 49,558             |
| <b>TOTAL</b>                                      | <b>\$8,700,985</b> | <b>\$8,123,813</b> |
| <b>LIABILITIES AND MEMBERS' EQUITY</b>            |                    |                    |
| <b>Liabilities</b>                                |                    |                    |
| Certificates                                      | \$3,212,245        | \$2,968,467        |
| Money Market Accounts                             | 2,194,108          | 2,000,375          |
| Member Savings Deposits                           | 1,602,123          | 1,429,875          |
| Share Checking Accounts                           | 773,926            | 699,220            |
| Individual Retirement Accounts, Variable          | 99,412             | 99,338             |
|   | <u>7,881,814</u>   | <u>7,197,275</u>   |
| Dividends and Interest Payable                    | 7,659              | 5,067              |
| FHLB Advances                                     | -                  | 100,000            |
| Obligation for Securities Lending Collateral      | -                  | 96,335             |
| Other Liabilities                                 | 151,596            | 60,569             |
|   | <u>159,255</u>     | <u>261,971</u>     |
| <b>Members' Equity</b>                            | 667,974            | 660,774            |
| Accumulated Other Comprehensive Income (Loss):    |                    |                    |
| Unrealized gains on securities available for sale | 17,225             | 7,367              |
| Recognition of obligation for benefit plans       | (25,283)           | (3,574)            |
|   | <u>659,916</u>     | <u>664,567</u>     |
| <b>TOTAL</b>                                      | <b>\$8,700,985</b> | <b>\$8,123,813</b> |

## A COMPETITIVE BALANCE

BECU has completed another positive financial year. We accomplished this feat in spite of 2008 being a difficult year for many financial institutions with the lending fallout, falling home prices and rising unemployment.

BECU continues to offer sound financial services and remains competitive while maintaining a balance between loan and deposit rates. And our members continue to demonstrate their faith in BECU by coming to us for loans, deposits and everyday financial services.

## SOLID GROWTH

Despite of the challenges many financial institutions faced in 2008, BECU generated solid growth in membership, assets, loans and deposits. Last year, our membership expanded to over 580,000 with \$8.7 billion in assets. As the market rates declined in 2008, we made modifications that would keep our portfolio stable and allow us to maintain a competitive edge. In spite of adjustments to our deposit rates and underwriting standards, deposits grew by 9.51% and loan growth was 10.68%.

## WELL-CAPITALIZED

While BECU did not offer sub-prime loans, we are not immune from the current recession. During the course of 2008, we experienced higher than normal loan delinquencies and charge-offs which resulted in a lower, but positive, net income for the year. Even with these challenges, BECU concluded 2008 with a net worth ratio of 7.68%, well above the minimum "well capitalized" level established by the National Credit Union Association (NCUA). This is in no small part due to our guiding principle to only provide, promote and be a part of responsible financial services. Ultimately, our goal is to return value to you, our member.

## CORPORATE CREDIT UNION STABILIZATION PROGRAM

In January of 2009 the NCUA instituted the Corporate Credit Union Stabilization Program. Corporate credit union are institutions that provide services for, and are owned by natural person credit unions like BECU. The NCUA plan called for natural person credit unions to help financially stabilize the corporate credit union structure. Based on our asset size, we estimate our proportion of support will be assessed at approximately \$50 million in 2009.

As we close the books on 2008 and look ahead to possibly more worldwide economic uncertainty in 2009, BECU members can rest a little easier knowing that we are here to serve both your short-term and long-term financial needs. We are confident in our financial soundness and we are here to support our members' financial needs for a long time to come.

*Thank you.*

*Michael Sweeney, Treasurer*



The Supervisory Committee is responsible for monitoring the financial safety and soundness of BECU and compliance with various financial and regulatory requirements.

In fulfilling these responsibilities, the Committee appointed the independent audit firm of Moss Adams LLP, which directly reports to the Committee. We held monthly meetings to, among other things, review internal audit services, internal controls and risk management processes, and examinations by regulatory agencies.

In the opinion of the Committee, BECU has operated in a fiscally sound manner and, in all material respects, in accordance with applicable federal and state regulations.

*Gary Beil, Chairperson  
John Catron, Denis Farmer, Timothy Reynon*

**2008 BOARD OF DIRECTORS**

*Gary Beil*

*Sheila Boze*

*Geoffrey Carpenter*

*John Catron*

*Denis Farmer*

*Roger Mauldin*

*Timothy Reynon*

*Desiree Serr*

*Michael Sweeney*

*Jim Wadhvani (Chairperson)*

*Kathie Weibel*

**2008 SUPERVISORY COMMITTEE**

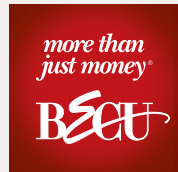
*Gary Beil (Chairperson)*

*John Catron*

*Denis Farmer*

*Timothy Reynon*





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