

# 2009 ANNUAL REPORT



*BECU MEMBER:  
Rayne H., Issaquah*

*more than  
just money®*

**BSCU**



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*[becu.org](http://becu.org)*



*All Washington State Residents Are Eligible To Join*

*Federally insured by NCUA*







### WE ARE HERE FOR OUR MEMBERS

IN 2010 BECU IS CELEBRATING our 75th anniversary. Your credit union was founded during another tumultuous time in our nation's economy, The Great Depression. In 1935, 18 Boeing employees each made a 50¢ deposit for total assets of \$9 and formed what is now your credit union, BECU. Their money was used to provide loans to purchase the tools needed to do their work because many financial institutions were not lending money at the time. Seventy-five years later, and we are still operating under the same principle—we are there for our members when they need us the most.

#### *Reaching Out to Our Membership*

We understand that 2009 was a difficult financial year for our national and local economies; however, we want to make sure you know that we are here to help you. BECU employees are dedicated to providing you with helpful and workable solutions to your financial needs and working with you every step of the way. Our Member Assistance team was formed under similar circumstances in the 1980s when our local economy was hurting and unemployment was on the rise. Last year, this team kicked into action once again and helped over 4,500 members find immediate financial solutions by modifying over \$118 million in loans, keeping members in their homes and autos. The Member Assistance Team will continue to help members find financial soundness in 2010. If you need or know of someone who needs assistance, please do not hesitate to contact them at **206-439-5987** or **memberassistanceteam@becu.org**.

#### *Value-Driven Products & Services*

In 2010, we will continue to provide our membership with the value-driven products and services that you have come to expect from your credit union. Thanks in part to suggestions from our membership, here are just a few things that you have to look forward to:

- >> *New eSignature option when you apply for a loan in Online Banking—eliminating the need to sign papers and then send them to BECU*
- >> *New secure messaging will allow you to communicate with us via the secure Online Banking system so that your personal information in the message is protected*
- >> *New person-to-person payment options in Online Banking*
- >> *Multiple Check Deposits at the ATMs, Mobile Banking (including an iPhone App) and more Telephone Banking voice and touch-tone enhancements*

BECU takes pride in providing our members with exceptional service. We also take great care to ensure the continued fiscal health of your credit union so that we can be here when you need us most. We recognize that you have many options when it comes to selecting a financial institution. We sincerely appreciate your decision to be a BECU member and look forward to celebrating 75 years of service with you in 2010.

Thank you,



Gary Oakland, CEO





## Chairperson's Report

### WEATHERING THE FINANCIAL STORM

THE STATE OF THE ECONOMY is on all of our minds these days; especially since the impact of the economic downturn first began a couple of years ago. It's important that we provide you, our membership, with a transparent update on the state of the credit union and reiterate our ongoing commitment to serve you during these uncertain economic times.

#### *Remaining Safe & Sound While Offering Great Value to Members*

It was a difficult year for many of our members who experienced the impact of the economic downturn firsthand as unemployment rose and home values remained lower than in previous years. As a member-owned cooperative, it is our responsibility to invest in our members' financial wellbeing. I want you to know that BECU has not participated in risky business practices just to gain a profit

because we are in the business of serving you, our member. By offering competitive rates we are able to return earnings back to our members, which we prudently balance with our reserve to assets to ensure that we are operating safely and soundly. We continue to be "well capitalized" with a 7.31% net worth ratio. Being conservative, we had planned for a rainy day. This year we used our umbrella and lowered our reserves slightly so we could return as much as possible to our members and still stay well capitalized.

#### *Rebounding with a Projected Net Income in 2010*

Countless national and local businesses and families were affected by the economic downturn—our membership and the credit union were not immune. We did report a net loss of \$39 million in 2009. This was in part due to the impact of the Corporate Credit



Union Stabilization Program where natural person credit unions, like BECU, were assessed an amount to help financially stabilize the corporate credit union structure. We did this without using any TARP funds as we were, and still are, well capitalized. Also, because of the difficult financial times many of our members experienced in 2009, we experienced higher than projected loan charge-offs. However, in 2010, we are projecting a net income as charge-offs appear to be stabilizing and we have planned conservatively. We are also operating more efficiently and continue to conservatively balance our reserve to assets with our return to member.

### *Adding Value to Your Membership*

In 2009, we saw our membership grow to over 600,000 members strong. In our efforts to continue to add value to your membership at BECU, we introduced several new products

and services: Private Student Loans, choose your own term CDs, Mobile Banking and enhanced Online Banking, Telephone Banking and ATM features. We also opened 7 new Neighborhood Financial Centers to serve even more members closer to where they live, work, shop and travel.

Our success as a credit union is directly linked to your success. We sincerely appreciate your participation and ownership.

Thank you,  
*J. M. Wadhvani*

J. M. Wadhvani  
Chairperson, Board of Directors



**BECU AND SUBSIDIARIES CONSOLIDATED****SUMMARY STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS  
FOR THE YEARS ENDING DECEMBER 31***(in thousands)*

	<b>2009</b>	<b>2008</b>
Interest Income	\$443,974	\$483,266
Dividend and Interest Expense	145,181	241,739
Net Interest Income	<b>298,793</b>	<b>241,527</b>
Provision for Loan Losses	236,202	141,442
Net Interest Income after Provision for Loan Losses	<b>62,591</b>	<b>100,085</b>
Service Fees and Non-Interest Income	121,528	110,787
<b>Non-Interest Expense</b>		
Compensation and Benefits	76,542	74,648
Product Servicing	44,635	39,274
Occupancy & Equipment	39,000	38,862
General and Administrative	46,519	32,755
Other Operating Expense	15,842	18,133
<b>Total Non-interest Expense</b>	<b>222,538</b>	<b>203,672</b>
<b>Net Income (Loss)</b>	<b>(38,419)</b>	<b>7,200</b>
<b>Other Comprehensive Income (Loss)</b>		
Unrealized gains (losses) on securities available for sale	(9,762)	9,858
Change in obligation for benefit plans	8,869	(21,709)
<b>Comprehensive Loss</b>	<b>\$(39,312)</b>	<b>\$(4,651)</b>

**BECU AND SUBSIDIARIES CONSOLIDATED****SUMMARY STATEMENTS OF MEMBERS' EQUITY***(in thousands)*

	<b>Members' Equity</b>
Balance at January 1, 2008	<b>\$669,077</b>
Net Income for 2008	7,200
Non-controlling Interest	(369)
<b>Accumulated Other Comprehensive Income (Loss)</b>	
Unrealized gains on securities available for sale	9,858
Change in obligation for benefit plans	(21,709)
Balance at December 31, 2008	<b>\$664,057</b>
Net Loss for 2009	(38,419)
Non-controlling Interest	238
<b>Accumulated Other Comprehensive Income (Loss)</b>	
Unrealized losses on securities available for sale	(9,762)
Change in obligation for benefit plans	8,869
<b>Balance at December 31, 2009</b>	<b>\$624,983</b>



**BECU AND SUBSIDIARIES CONSOLIDATED****SUMMARY STATEMENTS OF FINANCIAL CONDITION  
FOR THE YEARS ENDING DECEMBER 31***(in thousands)*

	2009	2008
<b>ASSETS</b>		
Cash and Cash Equivalents	\$392,796	\$233,905
Loans Receivable, Net	6,854,261	7,137,004
Investments	1,017,817	941,742
Interest-Bearing Deposits and FHLB Stock	77,174	77,174
Interest Receivable	46,161	50,483
Premises and Equipment, Net	71,618	75,263
NCUSIF Deposit	76,520	57,692
Other Assets	71,879	127,722
<b>TOTAL</b>	<b>\$8,608,226</b>	<b>\$8,700,985</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Liabilities</b>		
Certificates	\$2,824,456	\$3,212,245
Money Market Accounts	2,118,942	2,194,108
Member Savings Deposits	1,894,613	1,602,123
Share Checking Accounts	957,769	773,926
Individual Retirement Accounts, Variable	107,418	99,412
	<b>7,903,198</b>	<b>7,881,814</b>
Dividends and Interest Payable	4,708	7,659
CU Harp Promissory Note	10,000	-
Other Liabilities	65,337	147,455
	80,045	155,114
<b>Members' Equity</b>	<b>633,934</b>	<b>672,115</b>
Accumulated Other Comprehensive Income (Loss):		
Unrealized gains on securities available for sale	7,463	17,225
Recognition of obligation for benefit plans	(16,414)	(25,283)
	<b>624,983</b>	<b>664,057</b>
<b>TOTAL</b>	<b>\$8,608,226</b>	<b>\$8,700,985</b>

## Treasurer's Report

### TAKING ACTION FOR OUR MEMBERSHIP

MOST OF US have either directly or indirectly been impacted by the economic downturn of the past two years. Unemployment remains high, home values depressed and we have witnessed the closing of many large and small businesses throughout the nation. It is quite apparent that our national and local economies have experienced some historically low points. Unfortunately, we are not immune and the effects of the economy have affected both our membership and the financial results of the credit union.

#### *Assisting Members in Crisis*

We have made it our priority to take action to help our membership through these difficult times. We assigned a dedicated team to help members facing financial difficulties due to loss of income, unemployment or other hardships. In 2009, we were able to modify

\$118 million in loans to help over 4,500 members find workable financial solutions.

#### *Recovering from a Net Loss*

As a member-owned cooperative, we recognize the importance of transparency. It is our goal to always keep you advised of the credit union's financial operations. In 2009, BECU reported a net loss of \$39 million. This net loss was driven primarily by two parts: loan charge-offs and the impact from the Corporate Credit Union Stabilization Program that I mentioned in last year's report. First, there were many of our members who were faced with the hard realization of not being able to pay their bills; therefore, we had an unusually high number of loan charge-offs, totaling \$169 million. Secondly, the Corporate Credit Union Stabilization Program called for natural person credit unions like BECU to help financially



stabilize the corporate credit union structure. As a result, BECU recognized an expense of \$20 million in 2009.

*Well-Capitalized*

In spite of the financial challenges of the last couple of years, it is important to know that your credit union is financially sound. BECU concluded 2009 with a net worth ratio of 7.31%, well above the minimum “well capitalized” level established by Congress and the National Credit Union Association (NCUA). This is a testament to our resiliency as a credit union and our commitment to operate efficiently and with the thriftiness that ensures our long term vitality and a good value on financial services.

*Looking to 2010*

Even though we are entering a new decade, we expect that our members will continue to

experience some of the same economic issues that have plagued our nation. We remain committed to helping our membership by continuing to take action and provide low-cost and great-value financial options. Through it all, the credit union projects to end 2010 with positive net income.

As we close the books on 2009, we remain confident in our financial soundness and we are here to support our membership for a long time to come. Together we can make 2010 a year of recovery and maintaining financial stability.

Thank You,



Mike Sweeney, Treasurer





## *From the Supervisory Committee*

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, and 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, Timothy Reynon, Steve Brillling

### **BOARD OF DIRECTORS**

*Jim Wadhwani (Chair)*

*Gary Beil*

*Sheila Boze*

*Steve Brillling*

*John Catron*

*Denis Farmer*

*Roger Mauldin*

*Desiree Serr*

*Mike Sweeney*

*Kathie Weibel*

### **SUPERVISORY COMMITTEE**

*Gary Beil (Chair)*

*Steve Brillling*

*John Catron*

*Tim Reynon*



# SUNRISE

## ELEMENTARY SCHOOL

