

2010 ANNUAL REPORT



*BECU MEMBERS:
Jonathan & Laura F. Kent*

*more than
just money®*

BFCU



ColorGraphics is FSC (Forest Stewardship Council) certified in all our facilities. We are proud to promote environmentally appropriate, socially beneficial, and economically viable management of our world's forests.

SM-COC-1426



03/11

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PO Box 97050
Seattle, Washington 98124

206-439-5700

800-233-2328

becu.org



All Washington State Residents Are Eligible To Join

Federally insured by NCUA



First Boat Loan
BECU MEMBER:
Glenn J., August 1937



BECU MEMBERS left to right: *Shameem H., Federal Way; Mark J., Seattle; Lori L., Redmond; Jamie A., Tacoma; Janet H., Snohomish; Jenny S., Kirkland*



President's Statement

INVESTING IN THE FUTURE

BECU CONTINUES TO BE in a strong financial position. This is quite an accomplishment given that home values were at record lows and unemployment was exceptionally high in the past year.

While the general economic and interest rate environment have been challenging for all of us, we have been able to sustain competitive rates on deposits and loans while focusing much attention on helping members survive and prosper during these times. It is also important to know that during this time of uncertainty, we never stopped investing in the future.

In the coming year, we will continue to expand on opportunities for our members. Here's a list of some of the projects that we are working on to further enhance your member experience:

***We are giving more back to our membership.** We will continue to offer better rates and fewer fees as a valuable benefit of BECU membership. In addition, we are adding new opportunities to reward our members with better rates on more products and benefits for being active participants in the cooperative nature of the credit union. The more you use the credit union services the more value you will get from the credit union.*

***We are bringing our advocacy tools to the forefront.** We are here to help you meet your financial goals. This year, we are introducing programs that will help assess your financial needs, explore options and offer you the best products and services for you and your family.*

***We are tailoring "green" processes that continue to help us become better stewards of the environment.** These include using more paperless services and rewarding members for helping to reduce environmental waste.*

***We are keeping checking free of fees and gimmicks.** While other financial institutions are getting rid of free checking, we are keeping checking services free at BECU. Not only is our checking free but we actually pay interest on the entire balance in the account, regardless of the starting amount.*

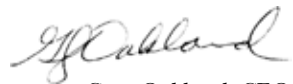
***We are upgrading our locations.** We have 46 Neighborhood Financial Centers around the Puget Sound region. This year, we will continue to upgrade more of our grocery store locations to larger, state-of-the art, stand alone locations to serve your financial needs.*

***We are enhancing our communication.** Our goal is to provide you with the information you want, when you want. We have an ongoing effort to provide you with consistent information across all credit union channels—whether you visit us online, at a branch location or call us on the phone.*

***We remain community focused.** As a local not-for-profit, we are loyal to the communities in which we serve. And we will continue to explore and pursue opportunities that promote strong thriving communities for a long time to come.*

BECU is well-positioned for a tremendous future. We are proud of all our achievements and recognize the impact our loyal members have on our success.

Sincerely,



Gary Oakland, CEO



Chairperson's Statement

DEDICATED TO OUR MEMBERS

AS I LOOK BACK over the national economic challenges of the past three years, I am pleased that we have been able to successfully maintain our position as not only a safe and sound financial institution but also the preferred choice by you, our members.

A Positive Choice

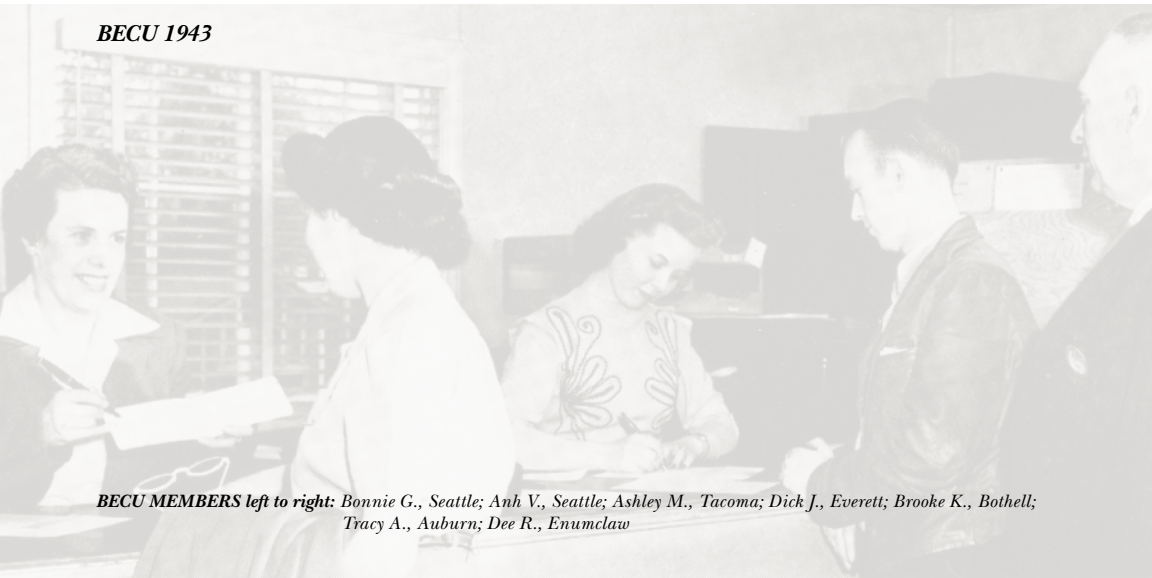
More and more individuals and families chose BECU for their financial needs in 2010. We significantly outpaced the credit union industry with membership growth of 6.78% as compared to industry growth of 1.4%. In addition, in recent survey results, BECU has grown in awareness and consideration around the Puget Sound region.

This growth is in part due to our give back philosophy. As a not-for-profit credit union, we give back to our members in the form of better rates, fewer fees and more affordable options. In 2010, our return to member averaged \$192.59 per member, a 10% improvement from 2009.

We Are Part of the Conversation

Financial industry challenges have led many to seek a local financial institution that they can trust. People are choosing to join BECU every day as we put their financial well-being ahead of profit. I want to share with you a sampling of what members are saying about BECU on social media networks.

BECU 1943



BECU MEMBERS left to right: Bonnie G., Seattle; Anh V., Seattle; Ashley M., Tacoma; Dick J., Everett; Brooke K., Bothell; Tracy A., Auburn; Dee R., Enumclaw



Matt A. on facebook

“ We picked up the keys to our new house yesterday! We're so excited. Thank you, BECU! ”

Roux W. on facebook

“ BECU is awesome been with them for two years now! Never had a single problem, ATMs are everywhere. ”

Krista W. on facebook

“ I love BECU. They are wonderful! ”

mrs moy on twitter

“ @chefreinvented I love @BECU! Local, great customer service, good interest rates and low fees. ”

lisadang3r on twitter

“ Another lovely trip to @BECU! always a pleasure :) Thank you for being awesome, queen Anne location :) ”

Nick G. on yelp

“ Customer service: superb. I was in and out of the branch with accounts opened in less than 15 minutes. ”

Dedicated to Providing Exceptional Service

Running the credit union is an undertaking that takes the collective effort of a focused and skilled team of professionals. We could not have achieved a successful 2010 without our team of outstanding employees who deliver exceptional service to our members each and every day. Not only do I wish to thank this team, but I wish to thank our members as well for your loyalty to BECU.

Sincerely,



Desiree Serr

BECU 1950



BE CU AND SUBSIDIARIES CONSOLIDATED
SUMMARY STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDING DECEMBER 31

(in thousands)

	2010	2009
Interest Income	\$411,446	\$443,974
Dividend & Interest Expense	108,910	145,181
Net Interest Income	302,536	298,793
Provision for Loan Losses	133,229	236,202
Net Interest Income after Provision for Loan Losses	169,307	62,591
Service Fees & Non-Interest Income	133,340	121,528
Non-Interest Expense		
Compensation & Benefits	82,416	76,542
Product Servicing	47,847	44,635
Occupancy & Equipment	41,234	39,000
General & Administrative	49,677	46,519
Other Operating Expense	18,120	15,842
Total Non-Interest Expense	239,294	222,538
Net Income (Loss)	\$63,353	\$(38,419)

BE CU AND SUBSIDIARIES CONSOLIDATED
SUMMARY STATEMENTS OF MEMBERS' EQUITY

(in thousands)

	Members' Equity
Balance at January 1, 2009	\$664,057
Net Income for 2009	(38,419)
Non-controlling Interest	238
Accumulated Other Comprehensive Income (Loss)	
Unrealized Gains on Securities Available-for-Sale	(9,762)
Change in Obligation for Benefit Plans	8,869
Balance at December 31, 2009	\$624,983
Net Income for 2010	63,353
Non-controlling Interest	(501)
Accumulated Other Comprehensive Income (Loss)	
Unrealized Losses on Securities Available-for-Sale	(14,926)
Change in Obligation for Benefit Plans	(5,023)
Balance at December 31, 2010	\$667,886

BECU AND SUBSIDIARIES CONSOLIDATED
SUMMARY STATEMENTS OF FINANCIAL CONDITION
FOR THE YEARS ENDING DECEMBER 31

(in thousands)

	2010	2009
ASSETS		
Cash & Cash Equivalents	\$430,131	\$392,796
Loans Receivable, Net	6,633,413	6,854,261
Investments	1,784,355	1,017,817
Interest-Bearing Deposits & FHLB Stock	51,074	77,174
Interest Receivable	42,412	46,161
Premises & Equipment, Net	64,769	69,979
NCUSIF Deposit	79,027	76,520
Other Assets	100,444	73,518
TOTAL	\$9,185,625	\$8,608,226
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Certificates	\$2,653,671	\$2,824,456
Member Savings Deposits	2,328,508	1,894,613
Money Market Accounts	2,181,177	2,118,942
Share Checking Accounts	1,123,778	957,769
Individual Retirement Accounts, Variable	121,265	107,418
	8,408,399	7,903,198
Dividends & Interest Payable	3,946	4,708
CU Harp Promissory Note	-	10,000
Other Liabilities	105,394	65,337
	109,340	80,045
Equity		
Members' Equity	696,786	633,934
Accumulated Other Comprehensive Income (Loss):		
Unrealized Gain (Loss) on Securities Available-for-Sale	(7,463)	7,463
Recognition of Obligation for Benefit Plans	(21,437)	(16,414)
	667,886	624,983
TOTAL	\$9,185,625	\$8,608,226

Treasurer's Statement

A POSITIVE REBOUND

I AM EXTREMELY PLEASED to report that your credit union has successfully navigated one of the most difficult economic times in modern history. BECU ended 2010 in a safe and sound financial position with net income of \$63.4 million and an improved net worth ratio.


There for Our Members

BECU is committed to helping our members weather the financial storm. BECU's Member Assistance program is an example of that commitment. In 2010, our Member Assistance team helped over 5,992 members modify over \$162 million in loans allowing them to stay in their homes, keep their vehicles and survive the economic crisis. Additionally, as in past years,

BECU continued to provide members with access to free financial education seminars that offer smart money advice on a wide range of topics.

Well-Capitalized

Even with the economic challenges of 2010, BECU's net worth ratio increased from 7.31% at the end of 2009 to 7.59% by the end of 2010. Our net worth ratio remains well above the minimum "well capitalized" level established by the National Credit Union Administration (NCUA). Additionally, we witnessed a significant turnaround in loan losses in 2010. Net loan losses decreased by \$22.8 million from 2009 and we also experienced lower loan delinquencies.



BECU MEMBERS left to right: Vitaliy V., Federal Way; Julie M., Renton; Mary B., Seattle; Magdalena D., Renton; Mary T., Seattle; Ronald M., Eden Prairie; Andrea V., Renton; Sarah B., Auburn; Tony G., Seattle



Corporate Credit Union Stabilization

For the second year in a row, natural person credit unions, such as BECU, received two premium assessments from the NCUA. The first assessment of \$10.5 million was to help maintain the National Credit Union Share Insurance Fund. The second assessment of \$9.8 million was related to the Corporate Credit Union Stabilization program.

In closing, even in these challenging times, BECU ended 2010 in a strong financial position, but more importantly BECU continued to provide value and service with complete trust--this is what our members expect from their credit union.

Sincerely,



Kathy Elser



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*
Steve Brillling, Jim Wadhvani, David Yonce

BOARD OF DIRECTORS

Desiree Serr, Chairperson
Mike Sweeney, Vice Chairperson
Gary Beil
Steve Brillling
John Catron
Michelle Eten
Porsche Everson
Denis Farmer
Roger Mauldin
Jim Wadhvani
Kathie Weibel
David Yonce

SUPERVISORY COMMITTEE

Gary Beil, Chairperson
Steve Brillling
Jim Wadhvani
David Yonce





BECU MEMBERS left to right: Catherine G., Kirkland; Sherry C., Marysville; Donald C., Renton; Denise W., Everett; Alan W., SeaTac; Billy C., Renton; Valerie D., Seattle; Forester S., Burien

