

2013 ANNUAL REPORT



*more than
just money[®]*

BSU

Federally insured by NCUA



04/14

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Federally insured by NCUA

All Washington State Residents Are Eligible To Join

SHARE > A COMMITMENT TO SERVICE

Understanding and responding to our members' unique needs were the keys to a successful 2013 for BECU. When we look back at last year, member input played a significant role in the development of new services, products and resources. Hearing from our members helps to provide valuable guidance and direction. We are thankful to have so many long-time loyal and new members who share in the cooperative spirit of people helping people.

843,440 Members Strong

BECU's loyal membership represents the largest credit union in Washington State and the largest non-government credit union in the nation. And, last year, we welcomed 83,152 new members to the credit union. Whether it was a family savings plan, buying a home, financing for a business or planning for retirement, we are helping more and more members with affordable and responsible financial services. BECU's membership saved approximately \$130 million last year in the form of better rates and fewer fees.

National Customer Advocacy Ranking

In 2013, global research and advisory firm Forrester recognized BECU for our customer advocacy. They define "customer advocacy" as the perception on the part of our members that we do what's best for them, not just what's best for our own bottom line. This national recognition is an honor, and I want to recognize BECU's staff for the unwavering commitment to members' financial well-being that is demonstrated every day.

6 New Larger BECU Locations

Last year, we opened a flagship state-of-the-art financial center in Bellevue to serve the greater eastside community. At approximately 6,000 square feet with a new and innovative high-tech design, the location has three ATMs with 24-hour access, and a concierge to help direct service needs. This location also features teams of specialists focused on Mortgages, Investments and Business Services.

We also opened five larger Neighborhood Financial Centers in Redmond, Issaquah, Lake Stevens, Tacoma and Silverdale.

Mortgage, Investments and Business Specialists

We aim to provide members with an exceptional financial experience that makes their unique needs a priority. Last year, we began staffing select BECU locations with experts in the areas of Mortgage, Investments and Business Services. Beginning this year, members will be able to pre-schedule appointments with specialists in these areas.

Member-Inspired Idea: Pending Debit Transaction View

In April of 2013, we launched the capability to view pending debit transactions in Online and Mobile Banking. Now, when you conduct a signature transaction using your debit card, the money is immediately deducted from your available balance and appears as a pending transaction. This is a feature that members asked for to help with better money management.



PENDING DEBIT TRANSACTIONS



@lisland216 lisland216



@BECU loving this 'pending transaction' feature, great job BECU team! :)

We Appreciate the Feedback

As a member-owned cooperative, we will continue investing in the services, technology and relationships that help make your experiences with BECU easier and more convenient. I sincerely appreciate you choosing to be a member of BECU and thank you for putting your trust in us for your financial service needs.

Mike Sweeney
Board Chairman

\$130 MILLION
RETURNED TO OUR MEMBERSHIP

CONVENIENT ACCESS

■ **BECU Neighborhood Financial Centers**

40+
throughout
Puget Sound

● **BECU ATMs**

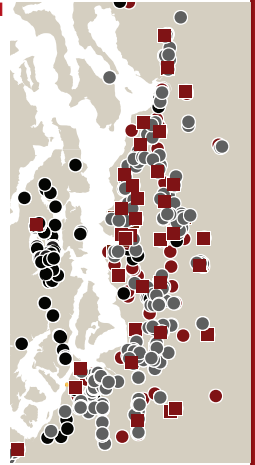
170+
throughout
Puget Sound

● **Shared Branches**

4,000+
Shared Branch
Locations Nationwide

● **CO-OP Network**

28,000+
Surcharge-Free
ATMs Nationwide



\$100,000 TO LOCAL NON-PROFITS

As a not-for-profit credit

union, we remain committed to supporting the communities in which we serve. For the first time last year, we hosted the BECU People Helping People Awards. The awards recognized non-profits for their charitable community efforts. Read more about the awards in our Community Outreach statement on page 5.



SHARE > THE INNOVATION

As we transition into 2014, BECU members continue to inspire the introduction of many new services and features. We aim to provide member-first service that is convenient and easily accessible. The way many of us manage our money today is vastly different from the way we did it even 10 years ago. In the year ahead, BECU remains committed to investing in innovative services that are both user-friendly and add value to our members' lives.

Convenient and Easily Accessible

As more individuals, families and businesses around the Puget Sound region discover the value of banking with BECU, we've heard from members concerning wait times at BECU locations. We've added new services this year that are designed to provide timely and valuable service when visiting BECU.

BECU ATMs in Rite Aid Stores

Thanks to a new partnership, BECU-branded cash-only ATMs are now located at all Rite Aid stores in Washington State. This partnership creates one of the largest networks of ATMs in the area. This is in addition to the more than 30,000 surcharge-free CO-OP Network ATMs that BECU members have access to nationwide.

4 Larger Neighborhood Financial Centers

To better serve our growing membership, the following Neighborhood Financial Centers will move to larger state-of-the-art locations in 2014: Bothell-Canyon Park, Burlington, Auburn and Kent. The new locations will allow for more space, comfort and resources while discussing your financial service needs.

Online Appointment Scheduler

This year we launched an online appointment scheduler. You can now schedule an appointment ahead of time with a member consultant on a day and time that works best for you. This is a new service that we are offering at select locations and will add additional locations in the future.

>> Learn more about this at www.becu.org/appointment

Lobby Sign-In

We also now offer a lobby sign-in service at select BECU locations—now you can designate the reason for your visit and a specialized member consultant will assist you.

Enhanced Online Experience

In alignment with feedback we've received from members, this year we are redesigning our website at www.becu.org. The new design will allow you to more easily find the information that is most important to you. Our website will also be optimized for use on multiple devices: desktop PCs, mobile phones and tablets. Along with improved navigation, we are redeveloping the content to better describe the accounts, services and resources that are available to you.

Account Alerts

Thanks to member feedback, this year we will begin offering account alerts that are timely and relevant to your unique needs. You will be able to set alerts for both your BECU accounts and other accounts all from within BECU Online Banking. For additional flexibility, you can receive alerts via email or text.

New Money Management Feature

We are also working to enhance the Online Banking experience with a new financial management feature for both personal and business accounts. This feature will allow you to manage your BECU accounts and accounts from other financial institutions all in one place. The user-friendly and engaging design will make setting financial goals and managing a budget exciting and meaningful. In addition to Online Banking, we are also releasing this feature as an app for Apple® and Android™ tablet devices.

Protecting the Security of Your Accounts

We take the security of members' accounts seriously. We are proactively investing in technology that will further enhance the security of personal account information. We understand the importance of knowing that your finances and personal information are safe.

Thank You

We take pride in providing our members with exceptional services. We recognize that you have many options when it comes to selecting a financial institution. Thank you for choosing BECU.

Sincerely,

Benson Porter
President and CEO

BECU

30,000+
SURCHARGE-FREE

ATM

NATIONWIDE

MORE ATMs THAN MOST BIG BANKS

| Bank | ATMs |
|------------------------|--------|
| BECU via CO-OP Network | 30,000 |
| Chase | 19,500 |
| Bank of America | 17,000 |
| Wells Fargo | 12,000 |
| US Bank | 5,323 |

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Sources from various websites: CO-OP, Chase, Bank of America, Wells Fargo, US Bank

SHARE > YOUR DREAMS

BECU has always demonstrated a strong commitment to our communities. We give back through volunteer time and donations to local organizations helping those who live in the Puget Sound area, through three primary focus areas of giving: Promoting Financial Literacy, Supporting Affordable Housing and Fostering Education Opportunities. Each year, we grant more than \$300,000 through our School Grants program, BECU Foundation Scholarships Program and Housing Grants. Last year, BECU set out to recognize non-profits important to our members, inspiring the creations of our People Helping People Awards.

PEOPLE HELPING PEOPLE AWARDS



We asked members to nominate non-profits that they supported with either time or money in the past year. The response was overwhelming, resulting in over 1,000 nominations for a large variety of non-profits representing a host of different areas and categories in our community. The response solidified for us that our members are truly living the credit union philosophy of People Helping People.

Each non-profit that was nominated does great things for our community. We have created a list of all that received a nomination. Please take a moment to look it over. Perhaps you will learn about a new organization or see that your fellow members are supporting the same organizations as you.

*For more information on this project and all of the 2013 award recipients visit:
www.becu.org/awards*



The number of nominations far exceeded the funding we had available, so we spent many hours carefully reviewing each one. Each was reviewed by no fewer than three judges. We commend each participating member nominator for the support they have shown these non-profits, and encourage all members to continue giving back.

Last year was the inaugural year of the People Helping People Awards, and the process has provided many lessons to improve this new program. We also encourage your feedback. If you nominated a non-profit this year and have a few moments to share your thoughts, please take our survey at www.surveymonkey.com/s/BECUPHPA



WE ARE PLEASED TO SHARE THE LIST OF RECIPIENTS OF THE 2013 BECU PEOPLE HELPING PEOPLE AWARDS

**\$10,000
Community Benefit
Award recipients:**

Sibling House

Friends of the Children
King County

StandUp For Kids Seattle

Outdoors for All

King County Explorer
Search and Rescue

Magnuson Community Garden

The Goodtimes Project

National Federation of the
Blind of Washington

**\$5,000
People's Choice Award
(voted by the community)**

The Goodtimes Project

**\$15,000
Member Volunteer
of the Year**

Real Escape from the Sex Trade



COMMUNITY OUTREACH

In addition to launching our member-inspired People Helping People Awards in 2013, BECU continued our support of affordable housing, financial literacy, and education. We recognize these three components as critical to the financial well-being of individuals and communities. We also actively support other credit unions that work with low income individuals.

Affordable Housing

Having a place to call home provides a necessary foundation for individuals to improve their financial well-being. BECU supports a variety of organizations that focus on affordable housing. This includes providing multi-year support to groups such as Habitat for Humanity, Housing Hope, and Rebuilding Together. In addition to supporting these organizations, each year BECU offers four \$20,000 housing grants to deserving housing organizations.

Financial Literacy

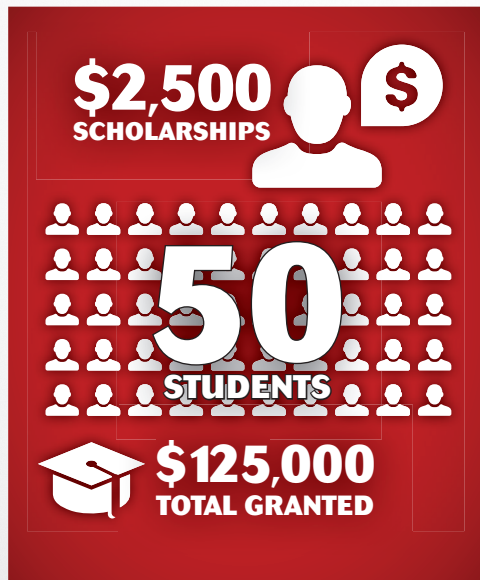
Making informed financial decisions is critical to financial stability. For more than two decades, BECU has provided financial education seminars to members, schools and community groups. Seminar topics range from better budgeting and managing credit to paying for college and planning for retirement. In order to reach more individuals, BECU Financial Educators now offer free webinars on the same topics. In 2013, we provided over 290 in-person seminars and webinars reaching nearly 7,000 individuals.

In addition to our own financial education program, BECU supports other organizations who offer financial education programs as well. For example, BECU has a multi-year commitment to Junior Achievement (JA) World in Auburn, Washington. The interactive real life simulation learning programs at JA World help give students tools and knowledge to help them prepare for life after school, especially in the areas of running a business and personal financial management.

Education

We recognize that education strongly supports future financial well-being. That's why we support education. Each year The BECU Foundation provides \$2,500 scholarships to student members. Recipients are selected based on community involvement, academic performance and leadership. In 2013, The BECU Foundation awarded scholarships to 50 student members totaling \$125,000. BECU also provides funding for need-based scholarships to several local area universities and colleges.

We also have a grant program that provides grants to teachers, principals and PTAs in Western Washington. This program allows schools mostly in low-income neighborhoods to receive a grant up to \$2,500 to help enhance the learning experience in the classroom. In 2013, BECU provided over \$100,000 in grants through this program.



*Credit Unions Serving
Low-Income Communities*

BECU actively supports credit unions that have innovative approaches to serving low-income communities. BECU supports Express Credit Union in Seattle, Tulip Credit Union in Olympia, Northwest Baptist Federal Credit Union in Seattle, and Newrizons Federal Credit Union in Hoquiam. Our work with Newrizons included providing a \$40,000 grant to support their individual development account program. This program provides matching funds to encourage their members to save money for a house or education. In the first few months, Newrizons “sold out” the program. Early results show that the program is having a positive impact on those participating in the program and many participants are ahead of their planned savings target.

BECU Employees Make a Difference

Our own BECU employees also give of their time, talents and funds to non-profits they have a personal passion and alignment with. Our employees volunteered over 9,500 hours and gave nearly \$150,000 in charitable donations which BECU was able to gift match, resulting in nearly \$300,000 in support of worthy causes.

SHARE > THE LOVE

9,500
HOURS VOLUNTEER



261
BECU
CONTRIBUTORS

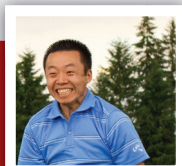
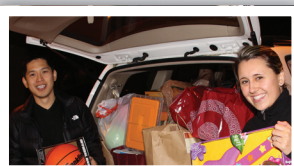
\$148,774

BEUC AND SUBSIDIARIES CONSOLIDATED**SUMMARY STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31***(in thousands)*

| | 2013 | 2012 |
|---|------------------|------------------|
| Interest Income | \$358,694 | \$366,307 |
| Dividend & Interest Expense | 49,994 | 60,979 |
| Net Interest Income | 308,700 | 305,328 |
| Provision for Loan Losses | 6,534 | 90,855 |
| Net Interest Income after Provision for Loan Losses | 302,166 | 214,473 |
| Service Fees and Non-Interest Income | 171,089 | 194,971 |
| Non-Interest Expense | | |
| Compensation and Benefits | 98,964 | 98,614 |
| Product Servicing | 58,783 | 60,242 |
| Occupancy and Equipment | 39,947 | 40,290 |
| General and Administrative | 46,135 | 47,369 |
| Other Operating Expense | 20,268 | 21,787 |
| Total Non-Interest Expense | 264,097 | 268,302 |
| Net Income | \$209,158 | \$141,142 |

BEUC AND SUBSIDIARIES CONSOLIDATED**SUMMARY STATEMENTS OF COOPERATIVE EQUITY***(in thousands)*

| | Cooperative Equity |
|--|--------------------|
| Balance at January 1, 2012 | \$790,580 |
| Net Income for 2012 | 141,142 |
| Non-Controlling Interest | (3,712) |
| Accumulated Other Comprehensive Income (Loss) | |
| Unrealized Gains on Securities Available-for-Sale | 504 |
| Change in Obligation for Benefit Plans | (10,178) |
| Balance at December 31, 2012 | \$918,336 |
| Net Income for 2013 | 209,158 |
| Accumulated Other Comprehensive Income (Loss) | |
| 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 | \$1,139,057 |



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

| | 2013 | 2012 |
|---|---------------------|---------------------|
| ASSETS | | |
| Cash & Cash Equivalents | \$1,200,112 | \$760,430 |
| Loans Receivable, Net | 7,374,731 | 7,002,225 |
| Investments | 2,788,814 | 3,015,523 |
| Interest-Bearing Deposits & FHLB Stock | 23,203 | 23,722 |
| Interest Receivable | 43,357 | 42,348 |
| Premises & Equipment, Net | 55,792 | 55,510 |
| NCUSIF Deposit | 99,781 | 92,812 |
| Employee Benefit Trusts | 208,515 | - |
| Other Assets | 138,251 | 100,969 |
| TOTAL | \$11,932,556 | \$11,093,539 |
| LIABILITIES AND EQUITY | | |
| Liabilities | | |
| Member Savings Deposits | \$3,850,778 | \$3,431,780 |
| Money Market Accounts | 2,598,025 | 2,495,457 |
| Certificates | 2,057,628 | 2,232,009 |
| Share Checking Accounts | 1,969,631 | 1,741,770 |
| Individual Retirement Accounts, Variable | 176,225 | 161,339 |
| | 10,652,287 | 10,062,355 |
| Dividends & Interest Payable | 1,583 | 1,816 |
| Term Borrowings | 25,000 | - |
| Other Liabilities | 114,629 | 111,032 |
| | 141,212 | 112,848 |
| Equity | | |
| Cooperative Equity | 1,157,171 | 948,013 |
| Accumulated Other Comprehensive Income (Loss): | | |
| Unrealized Gain (Loss) on Securities Available-for-Sale | (18,979) | 7,776 |
| Unrealized Gain on Employee Benefit Trusts | 7,088 | - |
| Recognition of Obligation for Benefit Plans | (6,223) | (37,453) |
| | 1,139,057 | 918,336 |
| TOTAL | \$11,932,556 | \$11,093,539 |



TREASURER'S STATEMENT

SHARE > A BRIGHTER FUTURE

I'm happy to report that 2013 was another outstanding year for your credit union. We remain strong, sound and well-capitalized. We see that many of our members' personal financial situations continue to improve from the economic downturn a few years back. As improvement happens, we find more and more members choosing to take advantage of the full range of accounts and services that we offer.

Giving Back and Saving for the Future

In 2013, BECU recognized a strong net income of \$209 million. A key and unique component of credit unions is that we are cooperatives that return profits to our members. Compared to our competition, BECU's membership saved approximately \$130 million last year in the form of better rates, fewer fees and more affordable financial services. These are dollars that stay in our members' pockets and in our local communities.

Over the past five years, BECU has returned over \$600 million to our members in the form of better rates and lower fees. During that same period of time, we have used \$400 million to invest in new or enhanced services for our members and to strengthen the financial position of your credit union by increasing our reserves. We aim to continue investing in innovative technology and services that bring value to our members.

9.70% Net Worth Ratio - BECU concluded 2013 with a net worth ratio of 9.70%, well-capitalized by the standard established by Congress and the National Credit Union Administration (NCUA). This is a testament to our commitment to ensure the safety and soundness of your credit union.

Together We Stand Strong

BECU holds the best interests of our members in the highest regard and remains competitive while continuing a long history of giving back to our members and our communities. As this year unfolds, we will continue to deliver member-first service, improve efficiencies and safeguard your assets.

Thank you for your loyalty to the credit union and for choosing BECU for your financial services. Your commitment to the cooperative is greatly appreciated.

Sincerely,



Kathy Elser



BECU NET WORTH RATIO OVER THE YEARS

2009 7.31%

2010 7.54%

2011 8.11%

2012 8.55%

2013 9.70%

The National Credit Union Administration designates a net worth ratio of 7% and greater as well-capitalized.

2013 AUDIT COMMITTEE ANNUAL REPORT

During 2013, the members of the Audit Committee were Brian Abeel, Jim Wadhvani, Robin Krueger, Michelle Eten, Jane Repensek, and Maurita Sutedja. The Chair of the Audit Committee was Brian Abeel. The Audit Committee held seven meetings during 2013.

The Audit Committee retained the independent public accounting firm of Moss Adams LLP to perform the audit of BECU's 2013 financial statements. The Audit Committee has reviewed and discussed BECU's 2013 audited financial statements with Moss Adams LLP and 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 2013 financial statements accurately reflect the strong financial position of the credit union.



Brian Abeel
Chairman
BECU 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, 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 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 Audit 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.

BOARD OF DIRECTORS

Mike Sweeney (Chairman)

Brian Abeel

Michelle Eten

Porsche Everson

Denis Farmer

Robin Krueger

Bill Longbrake

Roger Mauldin

Desiree Serr

Debra Somberg

Jim Wadhvani

David Yonce

AUDIT COMMITTEE

Brian Abeel (Chairman)

Michelle Eten

Robin Krueger

Jane Repensek

Maurita Sutedja

Jim Wadhvani

