

# **BECU 1<sup>st</sup> Quarter Results Q&A**

## **What is a Corporate Credit Union?**

A Corporate Credit Union, or "Big Credit Union" as they are referred to in the media, are Credit Unions for Credit Unions. They are not regular credit unions like BECU and therefore do not provide services to consumers. They are to credit unions as the Fed is to banks. Many credit unions use them to process checks, ACH and other tasks. BECU does not utilize them for any of these services.

## **What caused the problem that made NCUA decide to place these corporate credit unions into conservatorship?**

Because of the nature of what they do, these corporate credit unions operate in the capital markets and hold highly-rated, investment grade securities. But like so many others in those markets, they have seen the value of their investments decline in the current economic downturn, resulting in some actual losses. In the case of these two corporate credit unions that were placed under conservatorship by the NCUA, the losses were significant enough so that the government had to step in.

## **What connection does BECU have to these corporate credit unions?**

BECU does not utilize any of the services of the two corporate CU's that have been seized. BECU did have a capital investment in WesCorp of \$9.1 million which was expensed (written –off) in the first quarter and included in the \$56.4 million expense associated with the NCUA Action. BECU also maintains certificate of deposits at some of the corporate credit unions; however, these investments are fully insured and backed by the full faith of the U.S. Government.

## **How is BECU performing?**

The underlying operations are performing very well. We are seeing good growth across the board in deposits, loans, and new members. Excluding the unplanned NCUA actions, we would have met our first quarter projections. Despite these actions, we are on course to recover the first quarter losses and future premium assessments by the end of the year. We also are providing relief to members through a number of programs including mortgage relief and income interruption. The CU continues to expand member services through the NFC's as well as lending programs offered to members including mortgage lending. Because of our strong performance we are helping record numbers of members with their new home and refinancing needs.

## **Is BECU Safe?**

Yes. As indicated above we are performing very well. All accounts are federally insured up to \$250,000. Additionally, IRAs are separately federally insured up to \$250,000. At the end of the first quarter our capital to total assets is 6.90% which federal regulators deem to be “adequately” capitalized. We project that our capital to assets will be above 7.00% in the second quarter of this year.

## **What would have been the net income for the quarter without the NCUA actions?**

Without the NCUA actions, BECU would have reported a loss for the quarter of \$9.3 million which would have been in line with our plan. Our plan that was developed at the end of last year anticipated this first quarter loss as we had planned for the expense of a \$25 million loan loss provision.

**What does all this mean for you as a member of BECU?**

It's business as usual. The same level of quality service you receive from our credit union will continue. Our service to you is not affected by these government actions

**Will we see more losses as a result of the stabilization program?**

We are anticipating another assessment of \$20 million in September of this year. This \$20 million combined with what was recognized in the first quarter bring the total assessment for the year to \$77 million. Over and above this, we do feel confident that the NCUA will not have to take further action. NCUA hired a third party bond rating agency to evaluate the investments of the two corporate credit unions placed under conservatorship. This evaluation has been completed and a portion of the first quarter loss is attributed to further action that resulted from this evaluation. For the rest of 2009 we have included the total assessment of \$77 million in our plan and we are on course to recover this entire assessment by the end of the year.

**Is it possible that the NCUA could impose changes to minimize the impact to natural person credit unions?**

Yes, it is possible that this could happen in the future. There is current legislation that would allow natural person credit unions to spread the assessment and corresponding expense over a five to seven year period. If this were to happen the expense that we report for 2009 would be significantly less.

**How is our loan portfolio performing?**

While we are experiencing elevated loan losses as a result of the current economic climate, they are still within manageable levels and well below what other financial institutions are experiencing. As we forecast our future loan loss provisions, we use a conservative and realistic approach by taking a rolling average of the last three month (conservative in a high delinquency environment) in projecting future losses. BECU did not offer subprime mortgages and we are not exposed to the loans in the residential construction sector that are plaguing many local banks. In short, we have a very "plain" loan portfolio.

**How do these impairments affect other credit unions?**

All federally-insured credit unions are being assessed that same percentage of impairment to the National Credit Union Share Insurance Fund.

**When can I expect to receive additional communication?**

Should anything significant develop we will immediately include communication in the "what's new" section of the BECU website and will follow it up with communication in the following month's member newsletter.

**Where can I get access to our 1<sup>st</sup> quarter financial statements?**

The 1<sup>st</sup> quarter financial statement is available on the BECU web site.