

Process for Setting Executive Compensation

BECU's Chief Executive Officer (CEO) compensation is set by the board of directors through the oversight of the Compensation Committee, guided by BECU's executive compensation philosophy. The Compensation Committee employs an independent compensation consultant to challenge, confirm and inform the Committee on executive compensation data.

We compare our compensation elements (base pay, annual incentive pay, long-term incentive pay, and retirement benefits) to those offered by peer companies in the financial services industry including regional banks and credit unions of similar asset size. This approach delivers a balanced, yet competitive pay-for-performance model that attracts and retains high-performing leaders who are responsible for the stability and sustained growth of BECU, the financial health of our members, and our unique culture that fosters and celebrates engaged, caring employees.

Compensation Factors

When determining compensation for our CEO, the Compensation Committee considers compensation programs for similar executive positions at comparably sized financial service organizations. Of this comparison set, compensation for the CEO of BECU consistently targets under the median (exact midpoint). This is notable due to the fact that BECU's performance has been among the best of its credit union peer group (credit unions over \$1 billion in assets) and also outperforms most other financial institutions.

Additionally, the Compensation Committee considers guidelines set by the U.S. Securities and Exchange Commission (SEC), which rely on the comparison ratio of CEO compensation to the median compensation of an average employee. As a member-owned, not-for-profit, state-chartered credit union, BECU is not required to follow SEC direction, however, the guidelines are an important factor in our consideration.

For publicly traded companies (including financial institutions) with assets below \$50 billion, the CEO pay ratio range is typically around 60:1. BECU's 2017 CEO pay ratio is 17:1*.

BECU discloses compensation information for its CEO, Executive Management Team, Board of Directors and other key leadership roles by filing IRS Form 990.

** This is presented as a ratio to reflect the multiple that the CEO's annual total compensation bears to the annual total compensation of the median employee. BECU's 2017 CEO pay ratio is 17:1, which means the CEO's compensation is 17 times larger than the median employee's annual total compensation.*