

bcu Annual Report 2018

A MESSAGE TO OUR MEMBERS

We are proud to report that BCU continues to meet and exceed its high standards for creating value, convenient access to accounts, and building lasting relationships with our members, their families, and our company partners. Of all the accomplishments across the business, none are more important to us than maintaining strong financial performance while doing whatever it takes to empower your discovery of financial freedom.

Membership in the U.S. and Puerto Rico grew to more than 250,000 members. Access was made easier with new digital banking features and enhanced product offerings all while maintaining a 1.12% return on assets. This growth helped sustain a strong capital ratio of 10%, far exceeding the 7.00% standard for a well-capitalized credit union. Additionally, assets grew by 18%, pushing BCU beyond \$3 billion.

In 2018, members enjoyed convenient access to their accounts, tallying 29 million digital banking logins, with more than half of those on a mobile device. The PowerPlus™ checking account was enhanced, earning members over \$6.5 million in interest and more than \$1 million in ATM fee reimbursement. Borrowers continued to drive away with value from the Auto Buying Service,

racking up \$9 million in price discounts and nearly \$160,000 in rate discounts. The dream of owning a home became a reality for 1,700 members, and those who used the HomeAdvantage™ service earned over \$800,000 in real estate commission rebates. BCU credit card holders were rewarded with over \$4 million in cash back and more than 780 million Travel Rewards points.

Our passion for fostering a culture of caring was recognized externally with BCU being named a Chicago Tribune Top 100 Workplace for the sixth time. Employees' generosity and social responsibility extends to members and beyond, with staff volunteering 3,000 hours to various organizations. BCU Charitable Giving made donations totaling \$325,000 in support of healthcare, financial literacy, and other causes that strengthen the communities we serve. The annual BCU Scholarship Program awarded \$37,500 to 22 college-bound members.

In 2019 and beyond, our sights are set on continuing to offer valuable products and easy-to-use, secure banking technology, delivered by people who understand your needs and have only your best interests at heart. BCU's success is the result of the tireless effort of our staff and the guidance of our Board of Directors and volunteers. Along with our sincere gratitude to

all those involved, we'd especially like to thank outgoing board member and former Chair, Margot Kaplan. Stepping away in 2019, Margot leaves a legacy of helping to establish BCU as a leader in the industry, providing invaluable expertise to the board, and advocating for the membership during her 25-year tenure.

Nothing means more to us than the relationships we have with every member, employee and company partner. Your success is our success. Thank you for being an integral part of the BCU journey. We're thrilled to be *here today for your tomorrow*.



Michael G. Valentine
President/CEO

Michael Valentine



Thomas W. Hodson
Chairman

Thomas W. Hodson

BOARD OF DIRECTORS, COMMITTEES & OFFICERS

Board of Directors

Thomas W. Hodson*
Brett Craig
Michael J. Curran
Christine Fleming
Margot F. Kaplan
Paul E. Martin
Christine Z. McCauley
Jack L. McGinley
Mark E. Rosenbaum
Ola M. Snow
David E. Strauss
Michael G. Valentine

Executive Committee

Thomas W. Hodson*
Jack L. McGinley
Michael J. Curran
Christine Z. McCauley
Paul E. Martin

Supervisory Committee

Paul E. Martin*
Margot F. Kaplan
Brett Craig
John McCoy

Nominating Governance Committee

Christine Z. McCauley*
Jack McGinley
David Strauss
Mark Rosenbaum

Finance Committee

Michael J. Curran*
Christine Fleming
Ola M. Snow
Thomas G. Moore
C.J. Presto

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Michael J. Curran
Vice Chairman
Thomas G. Moore
Executive Vice President/
Assistant Treasurer
Christine Fleming
Secretary
Carl J. Presto
Senior Vice President/CFO/
Assistant Secretary
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Senior Vice President/CIO

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Senior Vice President/Human
Resources and Talent
Management
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Senior Vice President/CLO
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Senior Vice President/Digital
Strategy and Delivery
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Senior Vice President/
Corporate Relationships/U.S.
Service Centers
Herbert O. Behrens
Vice President/Mortgage
Lending
Brad R. Bergmooser
Vice President/General
Counsel

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Vice President/Consumer
Lending
Jose Cajigas
Vice President - Puerto Rico
Patti V. Dixon
Vice President/Member
Experience
Kenneth S. Dryfhout
Vice President/Strategy &
Growth
Daniel Parsons
Vice President/Branch
Operations
John S. Sahagian
Vice President/Chief
Data Officer/Intelligence
and Engagement Systems

Jill Sammons
Vice President/Marketing
and Brand Strategy
Charles E. Smith
Vice President/Controller
Joseph F. Suareo
Vice President/CISO
Sarah J. Thorrens
Vice President/Talent
Management
Douglas N. Wright
Vice President/Audit &
Compliance
Scott Zulpo
Vice President/CTO

*Chairperson

Empowering people to discover financial freedom is more than our purpose, it's a promise. Last year provided us numerous opportunities to demonstrate how we provide value and put you first in everything we do. Thank you for entrusting us with your financial well-being.



STATEMENTS OF INCOME

(in thousands)	2018	2017
Interest Income		
Interest on loans to members	\$ 134,715	\$ 107,097
Interest on investments and cash equivalents	16,824	10,377
Total interest income	151,539	117,474
Interest Expense		
Dividends on members' shares	26,589	19,442
Interest on borrowed funds	16,481	8,568
Total interest expense	43,070	28,010
Net interest income	108,469	89,464
Provision for loan losses	19,100	13,220
Net interest income after provision for loan losses	89,369	76,244
Non-Interest Income		
Service charges and other fees	27,297	22,679
Interchange income	26,892	23,363
Other mortgage income	7,559	7,655
Net gain on sale of loans	7,223	8,955
Other non-interest income	19,552	16,667
Gain (loss) on sale of investments available for sale	0	0
Gain (loss) on assets at fair value, net	(1,757)	(4,077)
Total non-interest income	86,766	75,242
Non-Interest Expense		
Salaries and benefits	61,745	54,472
Loan costs	24,475	20,227
Equipment and data processing	14,111	12,779
Occupancy	4,863	4,411
Other operating costs	35,970	31,321
Total non-interest expense	141,164	123,210
Net Income	\$ 34,971	\$ 28,277

STATEMENTS OF FINANCIAL CONDITION

(in thousands)	2018	2017
ASSETS		
Cash and cash equivalents	\$ 147,133	\$ 67,989
Investments		
Trading, at fair value	9,666	9,928
Available-for-sale, at fair value	74,074	30,869
Other	14,967	7,632
Mortgage loans held for sale	7,715	20,680
Loans to members, net	3,116,925	2,706,295
(including \$4,136 and \$5,446 at fair value as of December 31, 2018 and 2017 respectively)		
Accrued interest receivable	7,863	6,851
Property and equipment, net	23,446	22,686
NCUSIF deposit	25,799	22,862
Mortgage servicing rights at fair value	23,825	21,554
Other assets	32,541	30,638
Total Assets	\$ 3,483,954	\$ 2,947,984
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' shares	\$ 2,787,186	\$ 2,500,503
Borrowed funds	335,000	110,000
Accrued expenses and other liabilities	36,102	46,754
Total liabilities	3,158,288	2,657,257
Members' Equity		
Retained earnings, substantially restricted	326,385	291,413
Accumulated other comprehensive gain	(719)	(686)
Total members' equity	325,666	290,727
Total Liabilities and Members' Equity	\$ 3,483,954	\$ 2,947,984

PowerPlus™ Checking is a trademark of BCU