

2011 COMMUNITY & MEMBER ANNUAL REPORT



*more than
just money[®]*

BSCU

PRESIDENT'S STATEMENT

EIGHTEEN BOEING WORKERS made a commitment to help each other in 1935. They pooled their money and made affordable loans to each other when in need. This simple concept is the cooperative spirit BECU was founded on and it is still our commitment today.

Discovering the Credit Union Difference

Individuals, families and small businesses seeking an alternative to big banking are discovering the benefits of not-for-profit credit unions. Last year, we grew our membership by 70,814, ending 2011 with 744,354 members.

BECU remains committed to providing affordable and responsible financial services. We can do this because we are not-for-profit. We don't have shareholders to pay or a paid board of directors. We return earnings to our membership in the form of better rates and fewer fees.

Both long-term members and new members are taking advantage of the full range of financial services that BECU offers, from Home and Auto Loans to Checking and Wealth Management, along with free financial education on a variety of topics for all ages.

Building the Foundation

Consumers have not always been aware of what credit unions are. A change in the law in 2002 opened BECU up to anyone who lives, works, attends school or worships in Washington State. We have opened Neighborhood Financial Centers around the Puget Sound region to help individuals discover their financial options and become more aware of who we are and what we can do for them.

We now have over 40 Neighborhood Financial Centers and over 180 ATMs around the Puget Sound region. In addition, BECU members have access to over 28,000 surcharge-free ATMs nationwide through the CO-OP Network and over 4,000 partner credit unions worldwide through the Shared Branching network. We will continue to expand and improve our remote services so you can conduct your banking transactions when it's convenient for you from your computer, telephone and mobile device.

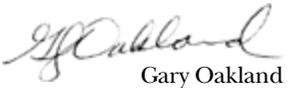
In 2012, we will continue to work to make access to BECU more convenient by opening four new Neighborhood Financial Centers. We are also expanding our Mobile Banking app service to include an app for Android users along with further enhancements to the app that we already have for Apple users.

This is a very important moment in time for BECU. Consumers are seeing credit unions as a true and beneficial alternative to big banks. More and more individuals are getting to know us and making the switch to BECU. Our growing membership will continue to strengthen the cooperative in years to come.

Last year, I announced that I would retire in 2012. I want to take this opportunity to welcome Benson Porter as the new President and CEO of BECU as of April 2012. I've known Benson for 25 years and I'm confident in his dedication to the credit union philosophy, which he has shown in his former position as CEO of both First Tech Federal Credit Union and Addison Avenue Federal Credit Union.

As I make the switch from President and CEO to BECU member, I thank the membership for your continuing and growing loyalty to the Credit Union.

Sincerely,



Gary Oakland



CHAIRPERSON'S STATEMENT

2011 SAW MAJOR EVENTS creating a perfect storm for more consumers to be aware of and, in a lot of cases, choose credit unions as their primary financial institution. While we don't agree with some of the large banks' fee changes, we are glad it raised the awareness for consumers to explore new options.

As a result, BECU attracted a record number of new members in 2011. Many of these new members were referred by you, our loyal long-term members, and we are deeply appreciative of the trust and confidence you have shared with others. Our growth in 2011 does not alter our commitment to always provide member-first service and competitively priced financial products to both our long-term members and our new members.

Consumers Taking Action

For years, BECU has been working to spread the word about the credit union movement and the benefits of banking with a not-for-profit member-owned cooperative. Consumers are now choosing to bank where their financial well-being matters. Here's what some of you are saying through social media channels:

FACEBOOK



Sandi Pettit

Love BECU, best there is out there. Great services and customer service. You actually can talk to someone live.

Janelle Pike

BECU saved my life today! I have never had such a great experience. Thank you from the bottom of my heart!

Hadas Peles

I love BECU! My first bank at the age of 9 and I'm still going strong 15 years later :-)

TWITTER



irene demaris @seattle_irene

For those Washingtonians who are participating in @BankTransferDay... I strongly encourage you to consider @becu. They are fabulous!

Brooke Living Aware @Living_Aware

We are closing our #bank account and switching @BECU ... better late than never!

Fettwalp @fettwalp

Thanks @BECU for helping me figure out a no-fuss solution to a potential account problem. Proves to me again why I'm with a credit union.

To share your experience find us on Twitter at [@becu](http://www.twitter.com/BECU) and on Facebook at www.facebook.com/WeAreBECU.

Thanking an Honorable Leader

The success our Credit Union is experiencing right now is due greatly in part to the honorable leadership and guidance of our retiring President and CEO, Gary Oakland, who announced last year that he would retire in 2012. On behalf of the Board of Directors, I want to acknowledge and thank Gary for his service to BECU and the credit union movement since joining BECU in 1980 and becoming CEO in 1986. When Gary arrived at BECU, we were a single-branch, single-sponsor (Boeing) credit union of \$170 million with approximately 65,000 members. Under Gary's leadership, we ended 2011 just under \$10 billion in assets, 740,000 members strong and over 40 locations throughout the Puget Sound region.

Gary has not only been a great leader, but he has been a great friend to all of us here at BECU. Over the years, it has been very common to see Gary in the elevator and break room, or walking the halls chatting with employees. Members have always felt comfortable communicating with Gary, knowing that they would receive a response. Gary is a towering example of the Credit Union cooperative spirit of "people helping people" and has ensured that this spirit is firmly rooted into the culture throughout BECU.

As we look forward, just as consumers' actions are shaping the new banking world, here at BECU we will forever be shaped by the lasting impression of Gary's unwavering dedication to the well-being of each member and employee of BECU.

Sincerely,

Desiree Serr



Gary is a towering example of the Credit Union cooperative spirit of "people helping people" and has ensured that this spirit is firmly rooted into the culture throughout BECU.



COMMUNITY SUPPORT

AS A NOT FOR PROFIT, member-owned financial cooperative, we are guided by the credit union philosophy of “people helping people.” BECU strives to be cooperatively engaged in improving the social, economic, and environmental vitality of the communities we serve.

While we realize there are thousands of ways we can help make a difference in the community, we understand that our efforts have the most significant impact when they align with the cooperative’s overall mission and our core capabilities. As a result, we focus on supporting areas that help improve the financial wellbeing of our members, employees and the community. These areas are **affordable housing, education, and financial literacy.**

In 2011, BECU contributed over \$3 million, including in-kind donations and rate preferences, to help improve the financial wellbeing of communities around the Puget Sound region.

In 2011, BECU modified over \$88 million in loans, helping more than 3,700 members better manage their payments.



Affordable Housing

We recognize that for most people in our community, homeownership is more than a dream, it provides the foundation for financial security. Affordability is the biggest issue many face when it comes to buying or sustaining a home. In support of affordable housing, BECU provides innovative loan programs that have helped many members finance and keep their homes.

The BECU Member Assistance Program team helps with loan modifications when a member is experiencing difficulties making payments. In addition to home loans, this team helps members with other loans such as vehicle, layoff and credit cards. In 2011, BECU modified over \$88 million in loans, helping more than 3,700 members better manage their payments.

BECU also supports a number of non-profit affordable housing organizations. These include Habitat for Humanity, Plymouth Housing Group, Housing Hope, Impact Capital and Rebuilding Together. Our support takes many forms that go beyond direct giving, such as providing volunteers, marketing assistance and buying mortgages in the case of Habitat for Humanity.



Since 1995, BECU has awarded more than \$1.3 million in scholarships to more than 620 students.

Educational Opportunities

More and more the link between education and financial wellbeing is becoming more evident. As a result BECU supports our local schools and programs that help people start their own business or be better prepared to enter the workforce. Through the BECU Foundation, we awarded forty, \$2,500 scholarships to students who demonstrate strong academic performance, leadership and a passion for giving back to the community. Since 1995, BECU has awarded more than \$1.3 million in scholarships to more than 620 students.

In 2011, BECU provided \$100,000 in small grants to teachers allowing them to buy supplies and programs they could not otherwise offer. We also provide scholarship funds to many area colleges. We support entrepreneurial and job dreams by helping organizations such as DECA, Highline Community College’s Start Zone, Washington Business Week, SCORE, and Washington CASH.



Financial Literacy

Free financial education is one of the most appropriate ways that credit unions can fulfill their mission to help better the lives of members and communities. BECU employs full-time financial educators who offer free financial education seminars throughout our community. Sessions focus on helping individuals learn about and make wiser choices in all areas of personal financial management, with a special emphasis on saving, credit management, homeownership and retirement planning. In 2011, BECU conducted over 436 seminars throughout the region reaching nearly 8,000 attendees.

BECU also partners and supports other organizations to provide access to financial education. For example, we help sponsor Junior Achievement’s Finance Park, which provides eighth graders with an adult-like experience that helps them understand how to create and manage a budget.

As in past years, BECU continued our support as one of the lead underwriters of the PBS show Biz Kid\$. The program is entering its fourth season and is now aired in almost every market in the US. The show is designed to teach kids about entrepreneurship and financial literacy.

COMMUNITY OUTREACH

People Helping People

Even with our focus on financial wellbeing, BECU is making a difference in other areas as well. BECU encourages employees to contribute their three “Ts” (Time, Talent and Treasure) to organizations which they are passionate about. We do this by providing a generous gift match program and by supporting and recognizing their volunteer efforts.

The Credit Union Movement

In the credit union cooperative spirit, we also help other credit unions. In 2011, BECU’s innovative and philanthropic support helped other local credit unions, such as Seattle-based low-income serving Express Credit Union, evolve and meet the needs of the underserved and unbanked in our area.

Stewards of the Environment

BECU understands that our activities have an impact on the environment. BECU tracks and works to limit carbon emissions. Since 2007, BECU has decreased our carbon emissions by 3%, even though our membership has grown by 27% during that same period of time.

We continually look for ways to make a greater positive impact in the lives of our members, employees and the community. We welcome your comments and suggestions. Our full sustainability 2011 report will be available in May at www.becu.org/sustainability.



BECU AND SUBSIDIARIES CONSOLIDATED
SUMMARY STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31

(in thousands)

	2011	2010
Interest Income	\$383,491	\$411,446
Dividend & Interest Expense	80,660	108,910
Net Interest Income	302,831	302,536
Provision for Loan Losses	70,379	133,229
Net Interest Income after Provision for Loan Losses	232,452	169,307
Service Fees & Non-Interest Income	140,803	133,340
Non-Interest Expense		
Compensation & Benefits	89,652	82,416
Product Servicing	52,704	47,847
Occupancy & Equipment	42,108	41,234
General & Administrative	53,590	49,677
Other Operating Expense	21,238	18,120
Total Non-Interest Expense	259,292	239,294
Net Income	\$113,963	\$63,353

BECU AND SUBSIDIARIES CONSOLIDATED
SUMMARY STATEMENTS OF MEMBERS' EQUITY

(in thousands)

Members' Equity

Balance at January 1, 2010	\$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
Net Income for 2010	113,963
Non-controlling Interest	(166)
Accumulated Other Comprehensive Income (Loss)	
Unrealized Gains on Securities Available-for-Sale	14,735
Change in Obligation for Benefit Plans	(5,838)
Balance at December 31, 2011	\$790,580

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

(in thousands)

	2011	2010
ASSETS		
Cash & Cash Equivalents	\$800,140	\$430,131
Loans Receivable, Net	6,753,446	6,633,413
Investments	2,097,911	1,784,355
Interest-Bearing Deposits & FHLB Stock	23,974	51,074
Interest Receivable	41,334	42,412
Premises & Equipment, Net	60,689	64,769
NCUSIF Deposit	83,447	79,027
Other Assets	94,023	100,444
TOTAL	\$9,954,964	\$9,185,625
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Member Savings Deposits	\$2,848,039	\$2,328,508
Certificates	2,403,475	2,653,671
Money Market Accounts	2,235,846	2,181,177
Share Checking Accounts	1,433,543	1,123,778
Individual Retirement Accounts, Variable	145,972	121,265
	9,066,875	8,408,399
Dividends & Interest Payable	2,955	3,946
Other Liabilities	94,554	105,394
	97,509	109,340
Equity		
Members' Equity	810,583	696,786
Accumulated Other Comprehensive Income (Loss):		
Unrealized Gain (Loss) on Securities Available-for-Sale	7,272	(7,463)
Recognition of Obligation for Benefit Plans	(27,275)	(21,437)
	790,580	667,886
TOTAL	\$9,954,964	\$9,185,625



TREASURER'S STATEMENT

THANKS TO THE LOYALTY of our long-term members and the addition of new members, I am pleased to report another strong year for BECU with a 2011 net income of \$114 million. Over the past 75 years, we have managed the Credit Union with integrity, protecting its safety and soundness and thereby fostering the confidence of our members and the community at large.

Strengthening the Cooperative

More and more individuals, families and businesses are discovering the benefits of a not-for-profit cooperative and they are moving their money to credit unions. Last year, our deposits grew to just over \$9 billion. Long-term members and new members also took advantage of the Credit Union's affordably priced loan products, leading to \$4.2 billion in loan originations in 2011.

Another indication of the Credit Union's strong year is that our net worth ratio increased to 8.11%, remaining well above the minimum "well capitalized" category established by the National Credit Union Administration (NCUA).

Loan Losses Down

Over the past few years of economic uncertainty, some of our members have experienced unemployment and other financial difficulties that subsequently led to their inability to pay bills. For this reason, in the past we've had to increase the amount of money allocated to cover loan losses. However, this year we did not have to set aside as much and we were able to return that money back to the membership as well as the Credit Union's safety and soundness reserves. We attribute this in part to an improving economy and employment environment, and anticipate the same trend for 2012.

Corporate Credit Union Stabilization

Since 2009 we've communicated that natural person credit unions, such as BECU, received two premium assessments from the NCUA. The first assessment was to help maintain the National Credit Union Share Insurance Fund. We were not assessed an amount for this in 2011 and do not expect any further assessments going forward. The second assessment was related to the Corporate Credit Union Stabilization program and we were assessed \$20.9 million in 2011. The assessment is required to help stabilize the corporate credit union structure that suffered financial difficulties during the financial crisis of 2008 and 2009.

Return to Membership

A key, and unique, component of the cooperative model is centered on returning profits back to BECU member-owners. Many cooperatives do this by offering an annual patronage dividend. BECU's approach is to return our profits (over and above what is needed for reserves) in the form of better rates and lower and fewer fees.

One way we measure our return is through our return-to-member calculation. The calculation compares BECU's rates and fees to the average rates and fees of banks. In 2011, the return-to-member calculation was \$104 million. These are dollars that stay in our members' pockets and in our local economy.

Continuing Strength

BECU holds the best interests of our members in highest regard and remains competitive while continuing a long history of giving back to our members in the form of better rates, fewer fees and more affordable financial services. As 2012 unfolds, we will continue to deliver member-first service, improve efficiencies and safeguard your assets. Thank you for your loyalty to our not-for-profit cooperative and for choosing to be members of BECU.

Sincerely,



Kathy Elser



In 2011, the return-to-member calculation was \$104 million. These are dollars that stay in our members' pockets and in our local economy.

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. The Committee also 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.

David Yonce, *Chairperson*
Brian Abeel, Gary Beil, Jim Wadhvani

BOARD OF DIRECTORS

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

SUPERVISORY COMMITTEE

David Yonce, Chairperson
Brian Abeel
Gary Beil
Jim Wadhvani





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.

SW-COC-1436

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03/12

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