



2019 Annual Report



BANK-FUND STAFF FEDERAL
CREDIT UNION



Dedicated to Serving Our Members Since the Beginning

Over 72 years ago, the employees of the World Bank and the International Monetary Fund came together to find a convenient and affordable way to save and borrow—and Bank-Fund Staff Federal Credit Union was created. As a cooperative, we have the opportunity to tailor our products and services to the unique needs of our members. Today, we remain true to our original mission of providing the most unique value available in the financial services marketplace to those we serve, and we continue to adapt as the financial needs of our members evolve. Technology is redefining banking, and we are committed to reshaping and improving your member experience so that we may remain your preferred financial partner in an increasingly digital world.



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Summary of Financial Statements 2019 vs 2018

(In Thousands, US\$)	2019	2018	% Change
STATEMENTS OF FINANCIAL CONDITION			
Cash and Cash Equivalents	\$ 191,337	\$ 210,813	(9.24)
Investments	1,872,229	1,865,350	0.37
Loans (Net of Allowance for Loan Losses)	2,993,292	2,798,196	6.97
Loans in Process	66,960	36,193	85.01
Other Assets	64,687	61,284	5.55
Total Assets	5,188,505	4,971,837	4.36
Deposits	4,500,060	4,348,837	3.48
Other Liabilities	41,563	39,383	5.53
Members' Equity	638,186	593,911	7.45
Total Liabilities and Members' Equity	5,188,505	4,971,837	4.36
STATEMENTS OF INCOME			
Interest Income	\$ 152,294	\$ 136,533	11.54
Interest Expense (Dividends)	44,333	26,935	64.59
Net Interest Income	107,960	109,597	(1.49)
Provision for Loan Losses	3,984	(1,331)	(399.29)
Noninterest Income	17,839	19,433	(8.20)
Noninterest Expense	77,541	72,491	6.97
Net Income	44,275	57,870	(23.49)
KEY EQUITY RATIOS			
Members' Equity to Deposits	14.18%	13.66%	3.84
Members' Equity to Total Assets	12.30%	11.95%	2.97
OTHER HIGHLIGHTS			
Mortgage Servicing Portfolio	\$ 206,293	\$ 242,446	(14.91)
Operating Expense to Assets	1.57%	1.52%	3.29
Members	89,925	88,413	1.71
Digital Banking Users	53,079	--	--

* This year, we categorized mobile and online users as one unit.
Fully audited financial statements are available at BFSFCU.org.



Leadership

Board of Directors



Anne-Marie Gulde-Wolf
President



Van Pulley
Vice President



Heidi Hennrich-Hanson
Secretary



Daniel Hardy
Treasurer



Vipul Bhagat
Director



Diann Dodd Martin
Director



Christian Mulder
Director



Pam O'Connell
Director



Christopher Towe
Director



Elizabeth Lin Forder
Counsel to the Board

Senior Management



Eli Vazquez
Chief Executive Officer



Todd Aspell
Chief Financial &
Strategic Officer



Demetris Charalambous
Chief Information Officer



Stephanie G. Day
Chief Operating Officer



Mary Thibeault
Chief Risk Officer



Timothy W. Elmore
Chief Digital
Transformation Officer



Message from the CEO and Board President

Last year was transformative for Bank-Fund Staff Federal Credit in several ways, with strong growth and the launch of our new Digital Banking system, which makes it easier than ever for members to manage their finances.

In 2019, **BFSFCU surpassed \$5 billion in assets** and increased total member dividends by 65%, or \$26.9 million, relative to 2018, while maintaining strong net income of \$44.3 million, which translates to a ROA of 0.90%. As a result, BFSFCU's capital ratio increased 0.35% relative to 2018. These strong financial results were achieved despite experiencing lower market interest rates in 2019 after a year of rising rates in 2018. Despite these lower rates that applied pressure to our earning assets yields, BFSFCU raised base dividend rates in March of 2019 and maintained them throughout the year. Additionally, **BFSFCU paid a \$12.5 million supplemental dividend**. The ability to increase and sustain the dividends returned to our members was in part achieved by strong cost control, sound lending practices, and the ongoing loyalty and support of our members who continued to turn to BFSFCU for their savings and borrowing needs.

BFSFCU also took a great leap forward by advancing the technology and services that

help our members achieve their financial goals. A top priority was to make banking with BFSFCU even more convenient, flexible, and efficient for our members, resulting in the launch of a **new Digital Banking system** in November 2019. The system was designed with integrated functionality and easy-to-use navigation tools that allow members to perform transactions through a unified platform. That means members can now perform the same tasks and access the same information and services on their mobile devices as they do on their desktop and laptop computers. The new Digital Banking system also features the industry-leading person-to-person payment system **Zelle®**. The successful launch of our new system was the culmination of months of planning and hard work by our dedicated team, and we could not be more proud of them and the results.

Another new development in 2019 was the introduction of the **BFSFCU BEYOND Visa® Signature Credit Card, our most rewarding card ever, featuring contactless tap-to-pay functionality**. BFSFCU is among the first credit unions nationwide to offer contactless tap-to-pay functionality. BFSFCU also launched a mobile app that gives members the power to

Zelle and the Zelle related marks are wholly owned by Early Warning Services, LLC and are used herein under license.



manage their BFSFCU debit and credit cards on their mobile device. The “BFSFCU Cards” app helps members monitor and manage their cards through real-time alerts, on/off functionality, and built-in tools for noting travel plans and merchant categories for purchases.

The HomeAdvantage™ Program and the TrueCar® Car Buying Service offered by the Credit Union continued to make a positive difference in the lives of members. These services offer access to online convenience and resources to simplify the buying and selling experience while saving members money. **Members received \$223,347 in cash rewards through HomeAdvantage in 2019 and members saved \$3.1 million on car purchases through TrueCar** with preferred pricing through a national network of more than 15,000 certified dealers, as well as BFSFCU auto loan discounts. Additionally, **BFSFCU returned \$1,029,568 to members through our ATM surcharge rebate program.**

Data security continued to be a key focus, with cybersecurity threats becoming more sophisticated and frequent. We continue to enhance and upgrade our systems to protect members’ finances. The new Digital Banking system provides state-of-the-art authentication and fraud prevention options to members, including real-time alerts, multi-factor authentication, facial recognition, and Touch ID. We continue to invest in training and educating our staff, and providing members with resources on how to stay vigilant in the digital age. BFSFCU regularly publishes educational articles related to fraud prevention

on our website, at BFSFCU.org/learn, and offers insight and guidance through our in-person seminars.

Giving back to the communities we serve remains at the core of who we are at BFSFCU. In 2019, we are proud to report that we again supported the Margaret McNamara Education Grants and sponsored events throughout the year to promote the empowerment and education of women in developing countries. We also supported a variety of organizations that work to improve the health and well-being of local communities, as well as those around the world.

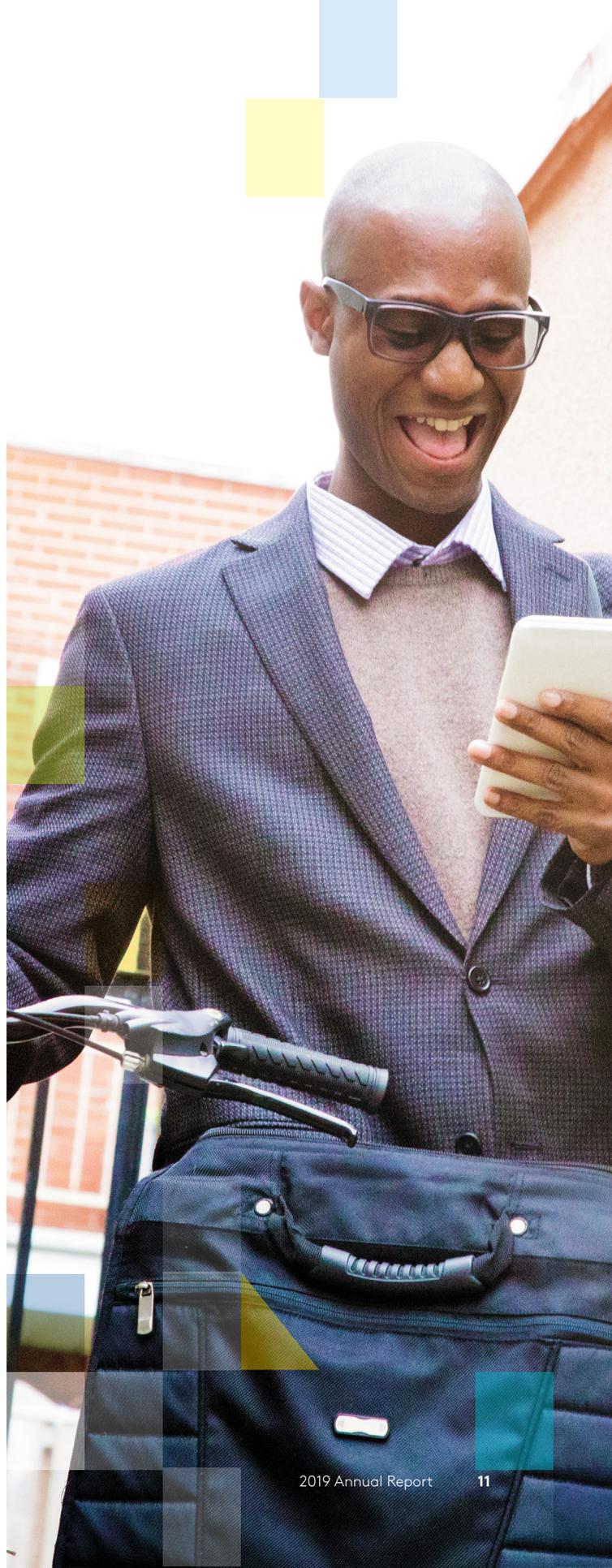
Our investments in technology and improving our members' digital experience complement our personal service to members. Our staff is strongly motivated by a genuine desire to enhance every stage of our members' lives, whether they are settling in the U.S. for the first time, buying a home, starting a family, saving for college, planning for retirement and more. We truly appreciate the loyalty of our members, and will continue to enhance our products and services as the needs of our members evolve.

Anne-Marie Gulde-Wolf

President, Board of Directors

Eli Vazquez

Managing Director and Chief Executive Officer





Financial Results

Total assets increased 4.36% to \$5.2 billion from near \$5.0 billion at year-end 2018. Net loans increased 6.97% to almost \$3.0 billion, reflecting a continued demand for first mortgage loans amid the low rate environment.

Total deposits increased \$151.2 million, or 3.48%, to \$4.5 billion from \$4.3 billion at year-end 2018. Our savings accounts increased approximately \$104.4 million, or 10.93%.

Net income was \$44.3 million in 2019, as compared to \$57.9 million in 2018. This decrease of \$13.6 million was driven by higher dividend expense, higher provision for loan loss expense, lower noninterest income, and higher operating expense; offset by higher outstanding loan balances throughout the year and higher yielding investments.

Revenues, defined as net interest income and noninterest income, were \$125.6 million for the year ended December 31, 2019, as compared to \$129.1 million for the same period last year. This decrease of \$3.5 million was driven primarily by higher dividend expense and lower noninterest income; offset by higher interest income.

Dividend expense increased significantly in 2019 by \$17.4 million to \$44.3 million compared to 2018. This increase in dividend expense year-over-year was a result of increases

to rates across non-maturity share products in April that remained in effect throughout the year. The supplemental dividend approved by the Board of Directors remained at \$12.5 million, unchanged from 2018.

We experienced an increase in our provision for loan loss of \$5.3 million to almost \$4.0 million from (\$1.3) million. This increase was primarily driven by a one-time reduction in allowance for loan losses of \$4.1 million in December 2018 due to a change in the calculation of the Allowance for Loan Losses (ALLL) methodology. Net charged-off loans were \$2.7 million for the year ended December 31, 2019, compared to \$3.4 million for the same period the previous year.

During 2019, the allowance for loan losses (the "reserve"), which represents management's estimate of loan losses inherent in the loan portfolio, increased to near \$24.0 million from \$22.7 million in 2018. This increase was driven primarily by the growth in loan balances. Currently, our reserve ratio, defined as the allowance for loan losses to gross loan balances outstanding, is 0.79% and is almost unchanged from 0.80% as of December 31, 2018.

Noninterest expense, or operating expense, increased by \$4.8 million, or 6.68%, compared

to 2018. Cost control efforts continued throughout 2019 in an attempt to maintain low operating expenses at the Credit Union; however, expenses associated with supporting a growing membership and regulatory requirements drove year-over-year increases. Our expense ratio increased from 1.52% in 2018 to 1.57% in 2019.

Liquidity and Investments

The Credit Union's goal is to maintain a liquidity level to accommodate potential fluctuations in deposits and loan demand. The cash and cash equivalents position decreased \$19.5 million, or 9.24%, relative to 2018 balances as we invested excess cash into short-term liquid investments with higher yields than cash.

Investments, which are composed primarily of U.S. Treasury and U.S. government agency supported mortgage-backed securities, increased \$6.9 million compared to 2018. The investments balance was \$1.9 billion as of December 31, 2019. The total return for the investment portfolio for the period ending December 31, 2019 was 2.28%, versus 1.93% a year ago.

Capital Strength

Members' equity, or capital, and the related capital ratio are primary indicators of a financial organization's strength and soundness. Members' equity to total assets was 12.30% as of December 31, 2019, and continues to exceed the NCUA's "well capitalized" threshold of 7.00%. The Credit Union's capital base increased \$44.3 million, or 7.45%, in 2019, and continues to demonstrate our commitment to ensuring the organization's ongoing financial viability, while investing in improvements and expansion of services to members.

NCUA Examination/External Audit

Our NCUA examiners completed their most recent examination of the Credit Union effective March 31, 2019. In addition, our outside independent public accountants, CliftonLarsonAllen LLP, completed their audit for the period January 1, 2019 to December 31, 2019. Their complete report containing the entirety of our audited financial statements can be found on our website at BFSFCU.org.



Credit Committee Report



Stuart Cohen
Chair

MEMBERS

Nancy Fleming
Hamish Flett
Tatiana Gudumac
Michael Higgins
Meherji Madan
Heather S. H. Woolls

On behalf of the Credit Committee, it is a pleasure to report on another strong year in the lending area. Total gross loans outstanding as of December 31, 2019, and December 31, 2018, were \$3.0 billion and \$2.8 billion, respectively. The Credit Union's gross loans-to-deposits ratio was 67.13% at the end of 2019 compared to 64.96% at the end of 2018.

As our members continue to find the Credit Union safe and sound for deposits, we continue to explore options to grow loans and add value to the membership. Our loan portfolio is comprised of 91.19% real estate loans, 7.07% consumer loans, and 1.75% participation loans. Outstanding real estate and consumer loan balances as of year-end were \$2.8 billion and \$213.5 million, respectively. Outstanding participation loan balances were \$52.7 million.

The Credit Union experienced a slight increase in the total amount of delinquent loans to \$34.9 million as of December 31, 2019, from \$29.1 million as of December 31, 2018. Delinquencies remain low at 1.18% of total gross loans outstanding, up from 1.03% a year ago.

Reportable delinquent loans, defined by the NCUA as those delinquent loans 60 days or more past due, were \$16.2 million (0.55% of total gross loans outstanding) as of December 31, 2019, compared to \$13.4 million (0.47% of total gross loans outstanding) as of December 31, 2018.

I would like to thank the staff of the Lending Services Department, as well as the members and alternate members of the Credit Committee, for all of their dedicated efforts on behalf of the Credit Union and its membership.

Supervisory Committee Report



Riaz Ahmed
Chair

MEMBERS

Packiaraj Murugan
Nicholas Pardoe
Honeylet Tuanda

Under the Federal Credit Union Act, the Supervisory Committee is responsible for confirming that management's financial reporting objectives have been met, and that management practices and procedures safeguard members' assets. In carrying out this responsibility, the Committee oversees the activities of BFSFCU'S Internal Audit department, evaluates the adequacy and effectiveness of internal controls established by management, and obtains an annual audit of BFSFCU'S financial statements performed by an independent certified public accounting firm.

The Committee engaged the auditing firm of CliftonLarsonAllen to conduct an audit and express an opinion on BFSFCU's financial statements for the period January 1, 2019 through December 31, 2019.

CliftonLarsonAllen has completed their audit, which was performed in accordance with generally accepted auditing standards. Their unmodified opinion, along with the Credit Union's audited financial statements, is available on the Credit Union's website located at BFSFCU.org.

We confirm that the auditors' report is based on information obtained from the Credit Union's records and through direct observation by the auditors, acting on behalf of the Supervisory Committee, and that, to the best of our knowledge and belief, the statements covered by their opinion are accurate.

Success in Numbers

2019



\$5.2 Billion

In Total Assets



90,000

Total Members



\$223,347

Cash Rewards Through Our HomeAdvantage[®] Program



\$3.1 Million

In Savings On Car Purchases
Through Our Car Buying Service



\$1.03 Million

Returned To Members Through Our
ATM Surcharge Rebate Program



\$12.5 Million

Supplemental Dividend To Members



65% Increase

In Total Dividends Paid To Members





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