




BANK-FUND STAFF FEDERAL
CREDIT UNION



2020

ANNUAL REPORT



**In 2020, BFSFCU
grew assets by
\$772.1 million,
or 14.9%, to
\$5.9 billion.**




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Years of planning and investment in digital technology served us well as staff seamlessly shifted into new roles and platforms.



DEDICATED TO SERVING OUR DIVERSE MEMBERS ACROSS THE WORLD AND ACROSS GENERATIONS

Over 73 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 tailor our products and services to the unique needs of our members. Today, we remain

true to our original mission of providing a unique value in financial services to those we serve, and we continue to adapt as the financial needs of our members evolve. Technology is redefining banking. We are committed to using it to enhance and improve your member experience while maintaining our personalized approach.

SUMMARY OF FINANCIAL STATEMENTS

2020 vs 2019

(IN THOUSANDS, US\$)	2020	2019	% CHANGE
STATEMENTS OF FINANCIAL CONDITION			
Cash and Cash Equivalents	\$ 255,108	\$ 191,337	33.33
Investments	2,418,832	1,872,229	29.20
Loans (Net of Allowance for Loan Losses)	3,213,918	3,060,252	5.02
Other Assets	72,780	64,687	12.51
Total Assets	5,960,638	5,188,505	14.88
Deposits	5,194,868	4,500,060	15.44
Other Liabilities	42,535	41,563	2.34
Members' Equity	683,600	638,186	7.12
Total Liabilities and Members' Equity	5,960,638	5,188,505	14.88
STATEMENTS OF INCOME			
Interest Income	\$ 141,975	\$ 152,294	(6.78)
Interest Expense (Dividends)	34,881	44,333	(21.32)
Net Interest Income	107,094	107,961	(0.80)
Provision for Loan Losses	2,093	3,984	(47.46)
Noninterest Income	16,593	17,677	(6.13)
Noninterest Expense	76,180	77,379	(1.55)
Net Income	45,414	44,275	2.57
KEY EQUITY RATIOS			
Members' Equity to Deposits	13.16%	14.18%	0.32
Members' Equity to Total Assets	11.47%	12.30%	0.46
OTHER HIGHLIGHTS			
Mortgage Servicing Portfolio	\$ 162,275	\$ 206,294	(21.34)
Operating Expense to Assets	1.40%	1.57%	(10.83)
Members	89,733	89,925	(0.21)
Digital Banking Users	52,230	53,079	(1.60)



LEADERSHIP

BOARD OF DIRECTORS



Anne-Marie Gulde
President



Van Pulley
Vice President



Heidi Hennrich-Hanson
Secretary



Christopher Towe
Treasurer



Vipul Bhagat
Director



Diann Dodd Martin
Director



Paolo M. Martelli
Director



Pam O'Connell
Director



Patricio Salgado
Director



Elizabeth Lin Forder
Counsel To The Board

SENIOR MANAGEMENT



Eli Vazquez
Chief Executive Officer



David D'Annunzio
Chief Financial & Strategic Officer



Oma Ressler
Chief Operating Officer



Demetris Charalambous
Chief Information Officer



Mary E. Thibeault
Chief Risk Officer



Timothy W. Elmore
Chief Digital Transformation
Officer



**As we enter our 74th year,
we are proud to be your
financial partner—and we
thank you for your continued
loyalty as we navigate
through these challenging
times together.**



MESSAGE FROM THE CEO AND BOARD PRESIDENT

In 2020, the global economy was challenged in a myriad of ways—and these challenges directly impacted the lives of our members and our staff. As a financial provider and essential service, Bank-Fund Staff Federal Credit Union was determined to swiftly meet these challenges. We are proud of what we accomplished together.

Virtually overnight, the Credit Union became a digital bank with a 90% plus remote workforce in place to serve our global membership. Years of planning and investment in digital technology served us well as staff seamlessly shifted into new roles and platforms. In order to accommodate increased volume, member-facing employees were reallocated to critical support roles to handle world-wide calls and service transactions.

Behind the scenes, our team quickly equipped and opened a full-service Express Branch and Lending Center with extensive protective equipment and safety protocols for continued in-person service. It was apparent that so many of our members highly value “personal-touch” service, so we made branch accessibility a priority. By year end, we had reopened the IMF and IFC branches with the same safety features and precautions, and with a full range of services.

While contending with these unforeseen challenges, staff continued to manage an impressive workload. With interest rates at unprecedented lows, mortgages were in record demand. Over the course of the year, our lending department processed 2,047 real estate loans representing \$930 million

in balances, allowing members to benefit from extremely low rates. Our member service representatives answered 166,897 calls, responded to 111,989 pieces of written correspondence, and processed over 85,000 wires.

Our members continued to very actively use our Digital Banking tools. Remote check deposit utilization via mobile devices rose by 11.44% to a record \$160,461,558 in deposits. Our IT team implemented Nuance VOICE ID voice-recognition software for greater convenience when calling for assistance and as an added layer of protection for members who reach us by phone. Adoption and application of our digital self-service solutions, including Zelle® person-to-person payments for the mobile app, eSignature functionality for online consumer loan closing, and VOICE ID by our members has been very strong.

An unplanned withdrawal from the US market by our

international wire and foreign currency service provider led to a mid-year migration to a new eWires platform in partnership with Western Union Business Services providing improved functionality and speed. In July, the IT team bolstered system security and agility by transitioning a Credit Union Data Center to a new state of the art facility in Ashburn, VA.

The Marketing team expanded the Member Education Program to include new webinars and podcasts on topics such as 'How to Choose the Right Credit Card' and 'Financial Basics for Rising Adults.' By hosting the sessions on a virtual platform, we were able to engage with 2,481 members. Additionally, the Credit Union expanded the selection of products and services offered to our younger members through a Youth Accounts Program designed to teach younger members the importance of establishing good financial habits and fiscal responsibility at a young age.

In 2020, BFSFCU grew by \$772.1 million, or 14.9%, and reached \$5.96 billion in assets—a testament to our members' confidence in the strength and stability of the institution. Net income of \$45.4 million resulted in a strong return on assets of 0.83%. By maintaining a highly efficient credit union and continuing to follow sound lending and investment practices, BFSFCU was able to return to members \$34.8 million in dividends, or 0.74% of total deposits, including a \$8,750,000 supplemental dividend.

As we enter our 74th year, we are proud to be your financial partner—and we thank you for your continued loyalty as we navigate through these challenging times together. As always, the BFSFCU Board of Directors, management and staff remain committed to delivering the exceptional products and services that you deserve from your Credit Union.


Anne-Marie Gulde

President, Board of Directors


Eli Vazquez

Managing Director and
Chief Executive Officer





**Total deposits
increased by
\$694.8 million, or
15.4%, to reach
nearly \$5.2 billion.**



FINANCIAL RESULTS

The pandemic—and the associated fiscal and monetary policy responses—contributed to a significant expansion in member deposits in 2020 and strong growth in our overall balance sheet. During the year, total deposits increased by \$694.8 million, or 15.4%, to reach nearly \$5.2 billion by December 31, with the largest increases seen in our shorter term savings, checking, and money market accounts. The deposit surge helped push our total assets to an all-time high of just under \$6.0 billion by year end, 14.9% higher than at end 2019. In particular, we were able to meet strong member demand for first mortgage loans to take advantage of the low-rate environment, expanding our net loans by 7.4% to \$3.2 billion, while also boosting our investment in high-quality and liquid securities.

Net income was \$45.4 million in 2020, as compared to \$44.3 million in 2019, as a decrease in expenses more than offset the effect on revenues of the slowdown in economic activity and weaker interest rate environment.

Revenues, defined as interest income and noninterest income, fell to \$158.6 million in 2020, as compared to \$170.0 million in 2019. This decrease was driven by the effect of lower market rates on investment income, as well as the impact of lower credit and debit card usage on the interchange income earned by the Credit Union. These factors more than offset the boost to loan interest income from the Credit Union's increased loan portfolio.

Dividend expense decreased in 2020 by \$9.5 million, to \$34.9 million, which included the supplemental dividend approved by the Board of Directors of \$8.75 million. This decline reflected

decreases in rates paid on all deposit products in response to the ultra-low interest rate environment.

We continued to exercise firm control over costs, while still investing in technology to further enhance the member experience. As a result, noninterest expense, or operating expense, decreased by 1.6% compared to 2019, which meant that our expenses as a share of total earning assets fell from 1.57% in 2019 to 1.40% in 2020.

Expenses for loan loss provisions fell to \$2.1 million in 2020, from \$4.0 million in 2019, primarily driven by a decrease in credit card balances, which require a higher allowance than other products. Net charged-off loans were \$2.9 million for the year ended December 31, 2020, compared to \$2.7 million in 2019.

During 2020, the allowance for loan losses (the "reserve"), which represents management's estimate of loan losses inherent in the loan portfolio, decreased to \$23.1 million from \$24.0 million in 2019, primarily in response

to the decrease in credit card balances. At end-December 2020, the reserve ratio, defined as the allowance for loan losses to gross loan balances outstanding, stood at 0.71%, slightly lower than at the same time in 2019.

LIQUIDITY AND INVESTMENTS

The Credit Union continued to maintain a liquidity level sufficient to accommodate potential fluctuations in deposit and loan demand. The cash and cash equivalents position increased \$63.8 million, or 33.3%, relative to 2019 balances while investing excess cash into short-term and higher yielding liquid investments.

Investments, which are composed primarily of U.S. Treasury and U.S. government agency mortgage-backed securities, increased \$545.9 million compared to 2019 to reach \$2.4 billion as of December 31, 2020. However, the sharp drop in market yields meant that the total return for the investment portfolio in 2020 fell

to 1.42%, versus 2.28% in the previous year.

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 11.47% as of December 31, 2020, and continues to exceed the NCUA's "well capitalized" threshold of 7.00%. The Credit Union's capital base increased \$44.3 million, or 7.8%, in 2020, and continues to demonstrate our commitment to ensuring the organization's financial

viability, while still 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, 2020. In addition, our outside independent public accountants, Moss Adams LLP, completed their audit for the period January 1, 2020 to December 31, 2020. Their complete financial audit report containing the entirety of our audited financial statements can be found on our website at [BFSFCU.org](https://www.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. Lending had record setting production volume for the year, processing over 2,000 in real estate loans and 3,400 in consumer loans. Total gross loans outstanding as of December 31, 2020, and December 31, 2019, were \$3.24 billion and \$3.02 billion, respectively. Our loan portfolio is comprised of 92.9% real estate loans, reflecting \$290 million in growth from 2019;

5.4% consumer loans, reflecting a \$37 million decrease from 2019; and 1.7% participation loans. Outstanding real estate and consumer loan balances as of year-end were \$3.01 billion and \$176.5 million, respectively. Outstanding participation loan balances purchased by BFSFCU were \$55.2 million. The Credit Union's gross loans-to-deposits ratio was 62.4% at the end of 2020 compared to 67.13% at the end of 2019. 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.

The Credit Union experienced a decrease in the total amount of delinquent loans (loans past due by 30-days or more) to \$27.9 million as of December 31, 2020, from \$34.9 million as of December 31, 2019. Delinquencies remain low at 0.90% of total gross loans outstanding, down from 1.18% a year ago. Reportable delinquent loans, defined by the NCUA

as those delinquent loans 60-days or more past due, were \$12.3 million (0.40% of total gross loans outstanding) as of December 31, 2020, compared to \$16.2 million (0.55% of total gross loans outstanding) as of December 31, 2019.

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

SUPERVISORY COMMITTEE REPORT



Riaz Ahmed
Chair

MEMBERS

Packiaraj Murugan Merli Baroudi
Nicholas Pardoe Thomas Obuya
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 Moss Adams to conduct an audit and express an opinion on BFSFCU's financial statements for the period January 1, 2020 through December 31, 2020.

Moss Adams has completed their audit, which was performed in accordance with generally accepted auditing standards. Their unmodified opinion, along with BFSFCU's audited financial statements, is available on the BFSFCU's website located at BFSFCU.org. We confirm that the auditors' report is based on information obtained from BFSFCU'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.



**Technology is
redefining banking,
and we are committed
to using it to reshape
and improve your
member experience.**



SUCCESS IN NUMBERS

\$5.96 Billion

IN TOTAL ASSETS

89,733

TOTAL MEMBERS

\$283,094

IN CASH REWARDS THROUGH OUR
HOMEADVANTAGE™ PROGRAM

\$328,575

IN SAVINGS ON CAR PURCHASES THROUGH OUR CAR
BUYING SERVICE POWERED BY TRUECAR®

\$648,187

RETURNED TO MEMBERS THROUGH OUR ATM
SURCHARGE REBATE PROGRAM

\$8.75 Million

SUPPLEMENTAL DIVIDEND TO MEMBERS

OUR COMMITMENT TO SUSTAINABILITY

At BFSFCU, we understand that the choices we make as part of our everyday operations impact global sustainability. That is why we continually seek out initiatives that make a positive difference to our environment and our future, every day.

SUSTAINABILITY THROUGH DIGITAL

In 2020, we continued to drive innovation through our Digital Banking platform. By leveraging the self-service tools offered through Digital Banking, members and staff were able to facilitate transactions and interactions in an efficient, eco-friendly way.

To date, over 53,000 members actively use our Digital Banking to perform transactions, manage accounts, and make payments, which reduces the impact on our carbon footprint.

Mobile Check Deposit, in our Digital Banking App, allows members to easily deposit checks electronically using their smart devices, eliminating the need to mail in checks or visit a branch.



Over 56,000 eStatements are sent to members worldwide monthly, which reduces the cost and impact of printing and mailing financial statements.

DocuSign[®], our eSignature tool, enables members to electronically sign and send documents and agreements, saving on commuting costs and reducing paper waste.

Our eMarketing strategy has shifted from traditional print to digital member communications, electronic disclosures, and educational materials – while allowing BFSFCU to retain the same high-quality content.

SUSTAINABILITY AT THE WORKPLACE

Over the past several years, our team has implemented on site sustainability initiatives to emphasize the positive impact of “going green.”

Recycling bins for paper, plastics and glass materials have been

installed throughout office buildings and branches.

Internal printing requires the use of electronic files and two-sided printing when documents must be printed. Two-sided printing alone has allowed us to reduce our internal printing volume drastically, and employees are more conscious than ever about using digital copies whenever possible.

Energy-efficient LED light bulbs have replaced less efficient lighting throughout the offices and branches.

Our environmentally friendly kitchens and breakrooms are stocked with compostable coffee pods, reusable flatware, coffee mugs, and water bottles to cut back on waste.

As we move forward, we remain committed to finding more ways to a more sustainable tomorrow.



As we move forward, we remain committed to seeking out initiatives that make a positive difference to our environment and our future.







BANK-FUND STAFF FEDERAL
CREDIT UNION

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1725 I STREET, NW, SUITE 150
WASHINGTON, DC 20006 USA

202 212 6400

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