Where It All
Where It All Began

“At that time, the staffs of the Bank and Fund were unable in many cases to transfer capital from their homelands. Europe was in the grip of post-war austerity and there was an acute dollar shortage. The new staff of the infant institutions urgently needed credit for even such workday requirements as clothing and household equipment. Because of the housing shortage in Washington, many of them gravitated towards apartments. It was against this background that 25 staff members heard a representative from the Federal Deposit Insurance Corporation explain the working of a credit union, a cooperative savings and loan association to be operated solely for the benefit of the staff. They voted unanimously to proceed with the project. Five of them advanced the funds needed to qualify for its Charter.”

—Bank Notes, November 1972, on the Credit Union’s 25th anniversary
The great use of life is to spend it for something that will outlast it.

—William James

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Progress is the constant replacing of the best there is with something still better.

—Edward A. Filene
## Summary of Financial Statements
### 2017 vs 2016

Fully audited financial statements are available at BFSFCU.org.

<table>
<thead>
<tr>
<th>STATEMENTS OF FINANCIAL CONDITION</th>
<th>2017</th>
<th>2016</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$ 232,252</td>
<td>$ 223,053</td>
<td>4.12</td>
</tr>
<tr>
<td>Investments</td>
<td>1,748,275</td>
<td>1,591,021</td>
<td>9.88</td>
</tr>
<tr>
<td>Loans (Net of Allowance for Loan Losses)</td>
<td>2,707,677</td>
<td>2,542,659</td>
<td>6.49</td>
</tr>
<tr>
<td>Loans in Process</td>
<td>22,007</td>
<td>67,932</td>
<td>(67.60)</td>
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<tr>
<td>Other Assets</td>
<td>80,673</td>
<td>57,936</td>
<td>39.25</td>
</tr>
<tr>
<td>Total Assets</td>
<td>4,790,884</td>
<td>4,482,601</td>
<td>6.88</td>
</tr>
<tr>
<td>Deposits</td>
<td>4,229,471</td>
<td>3,964,865</td>
<td>6.67</td>
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<tr>
<td>Other Liabilities</td>
<td>32,951</td>
<td>25,412</td>
<td>29.67</td>
</tr>
<tr>
<td>Members’ Equity</td>
<td>536,041</td>
<td>497,474</td>
<td>7.75</td>
</tr>
<tr>
<td>Total Liabilities and Members’ Equity</td>
<td>4,790,884</td>
<td>4,482,601</td>
<td>6.88</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STATEMENTS OF INCOME</th>
<th>2017</th>
<th>2016</th>
<th>% Change</th>
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</thead>
<tbody>
<tr>
<td>Interest Income</td>
<td>$ 115,622</td>
<td>$ 98,642</td>
<td>17.21</td>
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<tr>
<td>Interest Expense (Dividends)</td>
<td>19,546</td>
<td>14,285</td>
<td>36.83</td>
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<tr>
<td>Net Interest Income</td>
<td>96,076</td>
<td>84,357</td>
<td>13.89</td>
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<tr>
<td>Provision for Loan Losses</td>
<td>5,605</td>
<td>6,372</td>
<td>(12.04)</td>
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<tr>
<td>Noninterest Income</td>
<td>15,792</td>
<td>18,858</td>
<td>(16.26)</td>
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<tr>
<td>Noninterest Expense</td>
<td>67,696</td>
<td>62,806</td>
<td>7.79</td>
</tr>
<tr>
<td>Net Income</td>
<td>38,567</td>
<td>34,037</td>
<td>13.31</td>
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</table>

<table>
<thead>
<tr>
<th>KEY EQUITY RATIOS</th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Members’ Equity to Deposits</td>
<td>12.67%</td>
<td>12.55%</td>
<td>1.01</td>
</tr>
<tr>
<td>Members’ Equity to Total Assets</td>
<td>11.19%</td>
<td>11.10%</td>
<td>0.82</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>OTHER HIGHLIGHTS</th>
<th>2017</th>
<th>2016</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage Servicing Portfolio</td>
<td>$ 279,569</td>
<td>$ 332,491</td>
<td>(15.92)</td>
</tr>
<tr>
<td>Operating Expense to Assets</td>
<td>1.49</td>
<td>1.47</td>
<td>1.36</td>
</tr>
<tr>
<td>Members</td>
<td>87,058</td>
<td>85,290</td>
<td>2.07</td>
</tr>
<tr>
<td>Mobile Banking Users</td>
<td>28,324</td>
<td>21,531</td>
<td>31.55</td>
</tr>
<tr>
<td>Online Banking Users</td>
<td>43,825</td>
<td>39,928</td>
<td>9.76</td>
</tr>
</tbody>
</table>
Leadership
Board of Directors

Kerry Mack, President
Van Pulley, Vice President

Giuliano Caloia, Treasurer
Anne-Marie Gulde-Wolf, Secretary

Shidan Derakhshani, Director
Heidi Hennrich-Hanson, Director

Daniel Hardy, Director
Leadership
Senior Management

Christian Mulder, Director

Pam O’Connell, Director

Eli Vazquez, CEO

Stephanie G. Day, COO

Timothy W. Elmore, CIO

Elizabeth Lin Forder, Counsel to the Board

Sean P. Zimmermann, CFSO
On October 14, 2017, BFSFCU reached a major milestone: 70 years of serving our growing community of members. We’ve come a long way since 1947, when 25 employees from the World Bank and the International Monetary Fund agreed to establish our credit union cooperative—a secure and convenient place to save and borrow—for the benefit of our member-owners. Seventy years later, we have $4.8 billion in assets and serve over 87,000 members around the world.

Our success and growth over the past 70 years have been possible due to the passionate loyalty and support of our member-owners. As a not-for-profit credit union, our goal is to provide you with the best overall value in financial services in the form of highly competitive rates and lower fees. Your continued loyalty to BFSFCU for your borrowing and savings needs will help us sustain our mission.

In appreciation of your loyalty and support of BFSFCU, and as a means of tangibly sharing with member-owners the successes of 2017, your Board of Directors approved a supplemental dividend of $12,500,000 which was distributed in January 2018. This is the 23rd supplemental dividend in BFSFCU history!

As we embark on a new year, we are pleased to look back and highlight some of our 2017 achievements:

- Our strong deposit growth of 6.7% or $264 million in 2017 funded loan growth of 6.5% or $168 million which was driven by strong demand from members for mortgage loans, auto loans, credit cards and other loans.

- Improvements to our mortgage loan application process and internal procedures, along with the growing benefits of our past investment in a new Mortgage Loan Origination system, have reduced our processing time on mortgage loans and improved the member experience.

- Members continue to embrace our digital channels. We have 43,825 members actively using online banking.
Coming together is a beginning; keeping together is progress; working together is success.

—Henry Ford
Mobile banking users grew by 32% to 28,324, while mobile deposits grew 60.3%; mobile remote deposit is now the top channel used by members to deposit checks into BFSFCU accounts. Our members also performed nearly 20 million transactions and paid over $12.5 million in bills through mobile channels.

Over 6,400 members obtained low-rate loans and credit cards totaling over $678 million.

BFSFCU Visa® Credit Cards were used over 5.6 million times for purchases totaling over $417.8 million and members earned over 413 million in reward points.

Visa® Signature Credit Card holders saved over $442,000 in international transaction fees.

Members received $405,699 in cash rewards from the purchase and/or sale of their homes through Realtors participating in our HomeAdvantage™ program. Life-to-date, this program has saved members more than $4.4 million.

Members saved an estimated $1.64 million on car purchases with our Car Buying Service powered by TrueCar®.

Over 15,000 members were protected by TruStage™ insurance products.

$945,000 was refunded to members through our ATM Surcharge Rebate Program

947 members attended our free educational seminars.

In addition to providing exceptional financial value to our members, we continued in our quest to enhance your member experience, education and security by:

Introducing free online financial education modules providing guidance on topics ranging from credit scores and taxes to retirement and estate planning. We invite you to visit our Financial Education Center on our website to take advantage of these 23 online modules.

Enhancing our online security access by offering additional Online Banking Authentication options for members.

Extending the service hours of our in-house call center and adding more staff members to provide faster response times and even higher-quality service.

Implementing new programs and procedures to better detect fraud and deter cyber-security threats.

Reducing our environmental footprint by providing mortgage eStatements instead of paper statements. Nearly 58,000 members now subscribe to our eStatements.

Upgrading our digital branch displays with the streaming of live media, news, and weather coverage.

Introducing the new and improved Travelex Money Card, which allows our globe-travelling members to load multiple currency types onto a single pre-paid card as well as reload their cards and check their balances on a mobile app.

As we celebrate our 70-year legacy, we are dedicated to bringing you the best in financial products, services, security and digital banking solutions throughout 2018 and beyond. We remain committed to being your financial partner for years to come and we will continue adapting to the evolving needs and wants of our members.

We thank you for the privilege of serving your financial needs and encourage you to invite your family and colleagues to join BFSFCU so that they may enjoy the same benefits available to you. Membership at BFSFCU means a lifetime value because “Once a Member, Always a Member”.

Kerry Mack
President, Board of Directors

Eli Vazquez
Managing Director and Chief Executive Officer
What you do is your history.
What you set in motion is your legacy.

—Leonard Sweet
Total assets increased 6.88% to $4.8 billion from $4.5 billion at year-end 2016. Net loans increased 6.49% to $2.7 billion, reflecting a continued demand for first mortgage loans amid the low rate environment.

Total deposits increased $264.6 million, or 6.67%, to $4.2 billion from $4.0 billion at year-end 2016. Our savings accounts experienced the largest deposit increases of approximately $94.2 million, or 11.7%.

Net income was $38.6 million in 2017 as compared to $34.0 million in 2016, an increase of $4.6 million driven by higher net interest income.

Revenues, defined as net interest income and noninterest income, were $111.9 million for the year ended December 31, 2017, as compared to $103.2 million for the same period last year. This increase of $8.7 million was driven primarily by higher interest income.

Dividend expense increased in 2017 by $5.3 million to $19.5 million compared to 2016. This increase in dividend expense year over year was a result of raising our deposit rates for nonmaturity shares in January 2017 and June 2017. The supplemental dividend approved by the Board of Directors increased $2.5 million to $12.5 million from $10.0 million in 2016.

We experienced a decrease in our provision for loan loss of $0.8 million to $5.6 million from $6.4 million. This decrease was primarily driven by a decrease in our net loan charge-offs, resulting in a lower provision needed as compared to 2016 to achieve the targeted allowance for loan loss and delinquency coverage ratios. Net charged-off loans were $3.9 million for the year ended December 31, 2017, compared to $4.3 million for the same period last year.
During 2017, the allowance for loan losses (the “reserve”), which represents management’s estimate of loan losses inherent in the loan portfolio, increased to $27.4 million from $25.7 million in 2016. This increase is driven by historical loss rates and growth in loan balances. Currently, our reserve ratio, defined as the allowance for loan losses to gross loan balances outstanding, is 1.00% and is unchanged from 1.00% as of December 31, 2016.

Noninterest expenses, or operating expenses, increased by $4.9 million or 7.79% compared to 2016. Cost control efforts continued throughout 2017 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 1.47% in 2016 to 1.49% in 2017.

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 increased $9.2 million or 4.1% relative to 2016 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 approximately $157.3 million compared to 2016. The investments balance was $1.75 billion at December 31, 2017, compared to $1.59 billion a year ago. The total return for the investment portfolio for the period ended December 31, 2017, was 1.11% versus 0.87% 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 11.19% at December 31, 2017, and continues to exceed the NCUA’s “well capitalized” threshold of 7.00%. The Credit Union’s capital base increased $38.6 million, or 7.75% in 2017 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 June 30, 2017. In addition, our outside independent public accountants, CliftonLarsonAllen LLP, completed their audit for the period January 1, 2017 to December 31, 2017. Their complete report containing the entirety of our audited financial statements can be found on our website at BFSFCU.org.
Credit Committee Report

On behalf of the Credit Committee, it is a pleasure to report on another strong year in the lending area. Total gross loans outstanding at December 31, 2017, and December 31, 2016, were approximately $2.7 billion and $2.6 billion, respectively. The Credit Union’s gross loans-to-deposits ratio was 64.75% at the end of 2017 compared to 64.84% at the end of 2016. 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 92.28% real estate loans and 7.72% consumer loans. Outstanding real estate and consumer loan balances as of year-end were $2.5 billion and $211.3 million, respectively.

Our mortgage loan servicing portfolio decreased in 2017 to $279.6 million from $332.5 million in 2016. The decrease in the servicing portfolio is a result of our members refinancing existing fixed rate mortgages to lower rate products offered throughout the year or simply paying down debt.

The Credit Union experienced a slight decrease in the total amount of delinquent loans to $34.3 million as of December 31, 2017, from $36.2 million as of December 31, 2016. Delinquencies remain low at 1.26% of total gross loans outstanding, down from 1.41% a year ago.

Reportable delinquent loans, defined by the NCUA as those delinquent loans 60 days or more past due, were $18.9 million (0.69% of total gross loans outstanding) as of December 31, 2017, compared to $13.7 million (0.54% of total gross loans outstanding) as of December 31, 2016.

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.

MEMBERS
Stuart Cohen
Jennifer Elliott
Hamish Flett
Heather S. H. Woolls

ALTERNATE MEMBERS
Tatiana Gudumac
Meherji Madan

Paul B. Bravery, Chair
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. The Committee engaged the auditing firm of CliftonLarsonAllen to conduct an audit and express an opinion on the financial statements of the Credit Union for the period January 1 through December 31, 2017.

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.
In 1947, 25 members attended our free educational seminars. CREDIT CARDS USED 5.6 million times = 413 million reward points. $945,000 was refunded to members through our ATM Surcharge Rebate Program. Online Banking Users grew by 9.76% to 43,825 users.
Members saved $1.64 million with Car Buying Service powered by TrueCar®.

Mobile banking users grew 32% to 28,324.

Members received $405,699 in cash rewards from the purchase and/or sale of their homes.

Over 15,000 members were protected by TruStage™ insurance products.

85,290 members in 2017.