

# 2022 Annual Report



BANK-FUND STAFF FEDERAL  
CREDIT UNION

Our  
commitment  
to give back  
is at the core  
of everything  
we do





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BFSFCU is  
now the 50th  
largest credit  
union of  
nearly 4,900  
credit unions  
in the U.S.



# Message to our Members

The 75th anniversary of our founding, which we celebrated on October 14, 2022, provided an opportunity to reflect on how far our Credit Union has come. With an initial membership of 96 member-owners and \$3,000 in deposits, BFSFCU is now the 50th largest credit union of nearly 4,900 credit unions in the US, with a membership of more than 90,000 worldwide and assets nearing \$6.5 billion.

A vast amount has changed over the past seven and a half decades, with advancements in technology transforming how financial services are structured and delivered. In addition, the economy has experienced numerous extremes in economic cycles that have reshaped the financial industry. Despite these many changes, we remain committed to serving our member's needs first while maintaining the credit union's strong standing.

As a financial cooperative established for the benefit of our member-owners, our commitment to giving back to members is at the core of everything we do at BFSFCU, including investing in technology, offering competitive rates on deposit and loan products, and keeping our fees low.

Over the last decade, we have given back by paying members \$233.4 million in dividends and granting over \$12.2 billion in loans. In 2022, we introduced our innovative Global Rewards program and our high-yield Premier Checking Account to reward our members' depth of participation in our products and services. Global Rewards provides benefits to BFSFCU members based on their total relationship with our Credit Union. With three levels of rewards, as members' relationship with BFSFCU deepens, they gain access to greater rewards,

including access to premium checking rates, loans discounts, fee rebates, and more. Members have embraced this program and are already earning generous rates and rewards, including \$2.2 million in total fee rebates. As stewards of our cooperative, we genuinely believe that relationships are meant to be rewarded and we encourage all members to login to Digital Banking and learn more about Global Rewards.

Our assets have nearly doubled from \$3.6 billion to nearly \$6.5 billion over the past ten years. This past year, despite the unprecedented interest-rate environment, BFSFCU was able to return to members \$24.5 million in dividends, or 0.43% of total deposits, including a \$3 million supplemental dividend, \$1.2 million in Premier Checking Account dividends, and \$20.3 million in regular dividends. These solid financial results were achieved because of prudent



investments, sound lending practices, strong cost control, and the ongoing loyalty and support of our members who selected BFSFCU for their lending and savings needs.

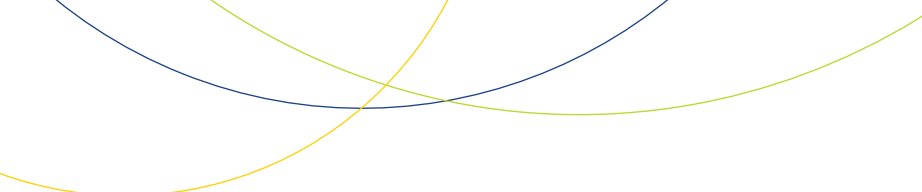
Our staff is our strongest asset and embodies our service philosophy of being Proactive, Accountable, Connected, and Trustworthy (PACT). In 2022, we had a record level of members come to us for their borrowing needs, including mortgages, auto loans, credit cards and more. We closed \$730 million in loans for our members, and our deposits grew by \$42 million. Additionally, many of our members selected BFSFCU debit and credit cards for their purchases, and member “spend” on cards increased by 15.5% to over \$1.0 billion, representing 13 million transactions.

Members completed 220,365 transactions through Zelle®, 30,255 domestic and 75,087 international wire transfers, and placed over 1,855 foreign currency orders online. We look forward to maintaining these positive trends in 2023 as an

increasing number of our members benefit from our products and services.

Adding new members and maximizing the participation of borrowers and savers in our products and services increases our ability to give back to all members and sustains our financial capacity to better serve and invest in improvements to meet our members' changing needs. As technology continues to evolve, we carefully evaluate new opportunities to make it easier and faster for members to join BFSFCU, manage their money, borrow, and make informed decisions about their financial future. Additionally, we continue to invest in innovative technology and extensive staff training as we work to provide the exceptional experience our members deserve.

In 2023, we started the year by introducing an exciting new way for members to connect with us: BFSFCU Live Chat. This new tool is making it more convenient for members to receive personal



service from our experienced staff. From anywhere they can access BFSFCU.org, members can now click the “Let’s talk!” button and select to chat, text, and even video chat with staff members. Now, staff can “walk” members through processes such as loan applications or opening a new account. They can even seamlessly switch between text and chat without having to leave the conversation.

Members continue to value the financial education opportunities we offer in the form of webinars, newsletters, and other communications. In 2022, we hosted 51 webinars with 3,252 attendees acquiring useful knowledge about a variety of topics, including building credit, purchasing a home, preventing fraud and identity theft, and more. We produced and distributed 12 newsletters focused on keeping members safe from fraud and scams as well as updates on the latest products and services offered by the Credit Union.

We redesigned our website and its contents to give members and new visitors a more intuitive and value-added experience. Members can quickly access Digital Banking and navigate essential content by way of improved menus, an optimized search engine, and new financial calculators, all in a fully responsive design offering a better browser and mobile experience.

We are giving back by making a difference in our communities as part of the worldwide credit union movement. In 2023, we launched the BFSFCU Giving Back program, a new credit union initiative that makes it easier for our staff to dedicate time to support organizations they value. Our commitment to giving back to charitable organizations remained strong in 2022, through donations to the Children’s National Hospital Blood Drive, Habitat for Humanity Build Day, The Cherry Blossom Run to Benefit Children’s Miracle Network Hospitals, and Margaret McNamara Education Grants.



On behalf of the BFSFCU team and our Board of Directors, we thank you for your loyalty and trust over the past 75 years. You have our commitment to remain member-focused and to deliver maximum value while maintaining safety, soundness, and sustainability as we continue our journey together.

**Anne-Marie Gulde**

President, Board of Directors

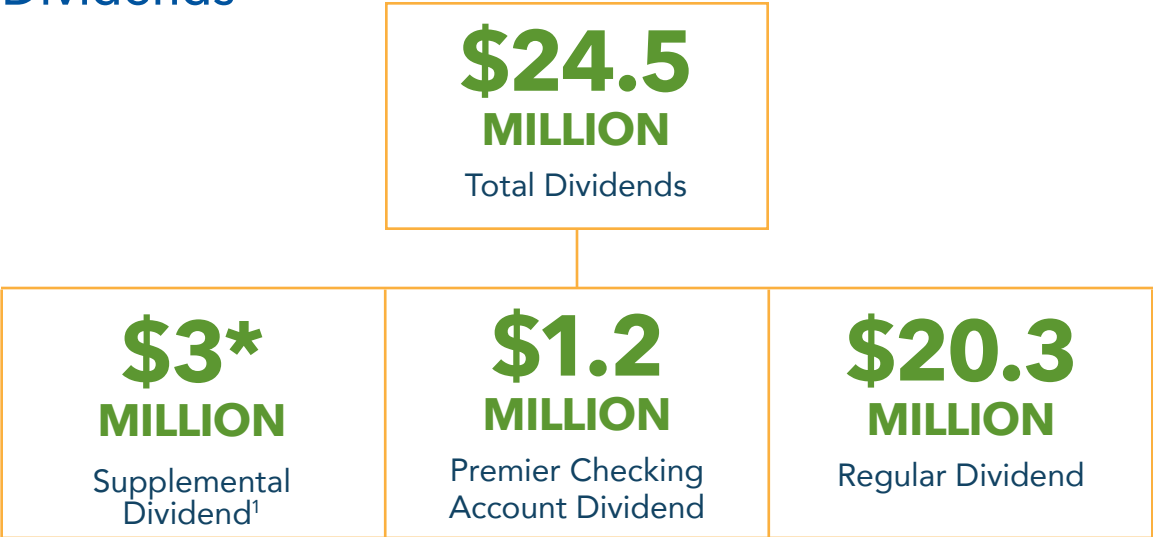
**Eli Vazquez**

CEO

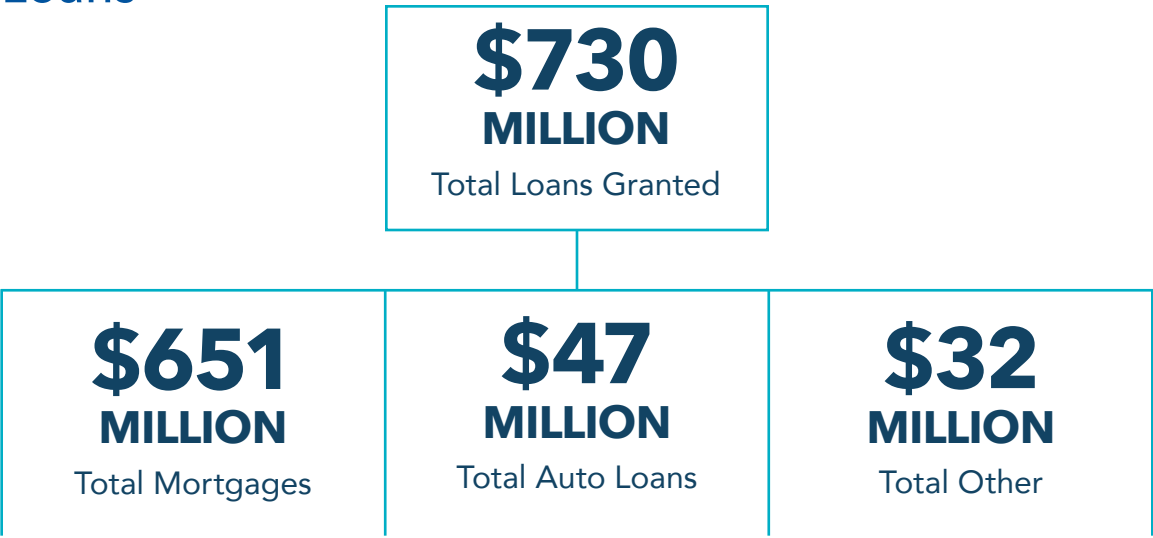


# Giving Back in Numbers

## Dividends



## Loans



<sup>1</sup>Supplemental Dividend 2023 Distribution. On January 19th each qualifying member will receive: (i) \$10.00 and (ii) an amount equal to the total of the average daily balances maintained during 2022 in your Checking, Savings and Share Certificate accounts, multiplied by a distribution factor of 0.0375%. The dividend will be deposited to each open individual Savings, Checking and Share Certificate account based on the average balance maintained in that account during 2022. Dividends earned on Savings, Checking and Share Certificate accounts that have since been closed will be deposited in an open account with the same ownership. Please review your January 2023 account statement or your account history within Digital Banking to see the dividend amounts deposited. Members qualifying for the supplemental dividend must be in good standing as of December 31, 2022, and have an open Savings, Checking or Share Certificate account into which the credit can be deposited as of the dividend posting date.

# Rewards

**\$296,406**

Total Rewards Given Back through HomeAdvantage®

**\$3,368**

Average of Cash Rewards received by BFSFCU members from HomeAdvantageTM®

**651,784,960**

Credit Card Rewards Points Offered

**479,373,600**

Credit Card Rewards Points Redeemed



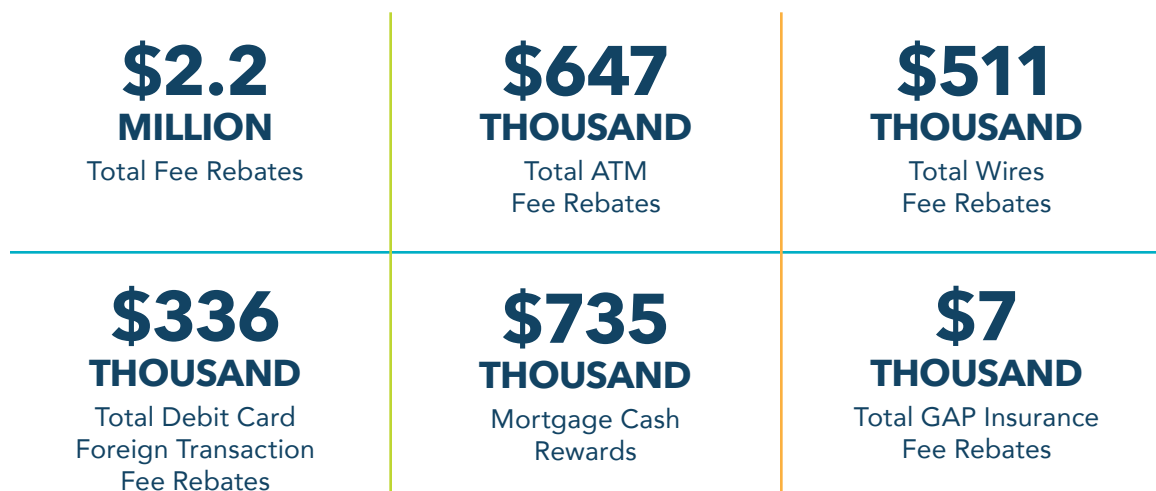


# The greater your engagement the bigger your rewards

In 2022, we launched Global Rewards, a program that adds even more value to our members based on their relationship with us.

During the first year of our Global Rewards program, we were able to return millions back to our members in the form of fee rebates, loan discounts, cash rewards, and dividends.

## Fee rebates



## The program that keeps on giving



# Member Engagement in Numbers

## Digital Tools



## Money in Motion

**220,365**  
Total Zelle® Transactions

**105,342**  
Wire Transfers

# Members Services

**144,792**

Calls Answered

**131,673**

Emails & Secured Messages Answered

**4,222**

One-on-One Appointments Scheduled online

**32,292**

Members Served at our Branches

# Member Education

**51**

Educational Webinars

**12**

Fraud Prevention Newsletters and Educational Emails Sent

**3,252**

3,252 Members Attended our Webinars in 2022

# Leadership

## Board of Directors



**Anne-Marie Gulde**  
President



**Van Pulley**  
Vice President



**Pam O'Connell**  
Secretary



**Christopher Towe**  
Treasurer



**Sana Al-Hajj**  
Director



**Vipul Bhagat**  
Director



**Diann Dodd Martin**  
Director



**Heidi Hennrich-Hanson**  
Director



**Paolo M. Martelli**  
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 Operations Officer



**Demetris Charalambous**  
Chief Information Officer



**Mary E. Thibeault**  
Chief Risk Officer

**\$3.49  
BILLION**

Total loans  
in 2022



# Credit Committee Report



## **STUART COHEN**

Chair

## **MEMBERS**

Nancy Fleming  
Tatiana Gudumac  
Attila Juhasz  
Sanjay Puri  
Ramesh Ramiah

On behalf of the Credit Committee, it is a pleasure to report that the BFSFCU Lending Department had another successful year, originating over 1,680 in real estate loans and 6,305 in consumer loans. Total gross loans outstanding as of December 31, 2022, was \$3.49 billion.

Our December 31, 2022 portfolio was comprised of 93.3% real estate loans, reflecting a \$169.6 million in growth from 2021; 5.8% consumer loans, reflecting a \$29.3 million increase from 2021; and 0.9% loan participations.

Outstanding member real estate and consumer loan balances as of year-end were \$3.26 billion and \$201.6 million, respectively. Outstanding loan participation balances purchased

by BFSFCU were \$32.3 million. The Credit Union's gross loans-to-deposits ratio was 60.0% at the end of 2022 compared to 56.8% at the end of 2021. 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 delinquent loans remained low (loans past due by 30-days or more), \$18.6 million as of December 31, 2022, reflecting a 0.53% of total gross loans outstanding, down from 0.58% a year ago. Reportable delinquent loans, defined by the NCUA as those delinquent loans 60-days or more past due, were \$7.7 million (0.22% of total gross loans outstanding) as of December 31, 2022, compared to \$7.1 million (0.22% of total gross loans outstanding) as of December 31, 2021.

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



**\$48.1**

Million Net Income

**\$164.3**

Million Revenue

# Supervisory Committee Report



## **RIAZ AHMED**

Chair

## **MEMBERS**

Packiaraj Murugan

Honeylet Tuanda

Merli Baroudi

Thomas Obuya

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 are sufficient to 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, 2022 through December 31, 2022.

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](http://BFSFCU.org). We confirm that the auditor's 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 presented fairly.







**6.6%**

Increase in  
Capital Base

**12.04%**

Equity to  
total assets



# Financial Results

The impacts of inflation and a rising rate environment led to a lower increase in member deposits in 2022 and a decline in our overall balance sheet. During the year, total deposits increased by \$41.8 million, or 0.7%, to reach over \$5.8 billion by December 31, with increases in share certificates, checking, and money market accounts.

While deposits did grow in 2022, our total assets fell to under \$6.5 billion by year-end, 1.3% lower than at year-end 2021. The decrease in total assets was primarily driven by an accumulation of unrealized losses in the investment portfolio caused by the rising rate environment. We were able to meet strong member demand for first mortgage loans during the first half of 2022 as members took advantage of the low-rate environment, expanding our net loans by 6.5% to \$3.5 billion.

Net income was \$48.1 million in 2022, as compared to \$46.4 million in 2021. Revenues, defined as interest income and noninterest income, increased to \$164.4 million in 2022, as compared to \$148.6 million in 2021. This increase was driven by higher market rates on investment and newly originated loans along with a larger loan portfolio compared to 2021. Noninterest income also increased as member usage of credit and debit cards recovered. In 2022, total dividend expense increased by \$1.1 million, to \$24.6 million as deposit rates began to rise in the second half of the year. The Board of Directors approved a supplemental dividend of \$3.0 million this year.

We continued to exercise firm control over costs while still investing in technology and staffing to further enhance the member

experience. As a result, noninterest expense, or operating expense, increased by 11.4% compared to 2021, which meant that our expenses as a share of total earning assets rose from 1.34% in 2021 to 1.44% in 2022.

Expenses for loan loss provisions were negative at (\$0.85) million in 2022, from negative (\$4.25) million in 2021. Credit quality has continued to improve, with net charge-offs falling for a second consecutive

year. Net charged-off loans were \$0.7 million for the year ended December 31, 2022, compared to \$1.0 million in 2021.

During 2022, the allowance for loan losses (the “reserve”), which represents management’s estimate of loan losses inherent in the loan portfolio, decreased to \$16.2 million from \$17.8 million in 2021. As of December 2022, the reserve ratio, defined as the allowance for loan losses to gross loan balances outstanding, stood at 0.47%, lower than the 0.54% at the same time in 2021.

## Liquidity and Investments

The Credit Union continued to maintain a strong liquidity position to accommodate potential fluctuations in deposit and loan demand. The cash and cash equivalents position increased by \$70.7 million, or 27.0%, relative to 2021 balances. Investments, which are composed primarily of U.S. Treasury and U.S. government



agency mortgage-backed securities, decreased by \$446.8 million compared to 2021 to reach \$2.5 billion as of December 31, 2022. Much of this decrease is attributable to decreasing market prices of the investment portfolio driven by rising interest rates over the course of the year. However, the higher rate environment also improved the total return on the portfolio by 37 basis points for the investment portfolio, up to 1.37%, in 2022 versus 1.00% 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 12.04% as of December 31, 2022, and continues to exceed the NCUA's "well capitalized" threshold of 7.00%. The Credit Union's capital base increased by \$48.1 million, or 6.6%, in 2022, and continues to demonstrate

our commitment to ensuring the organization's financial viability while still investing in improvements and expanding services to members.

## NCUA Examination / External Audit

Our NCUA examiners completed their most recent examination of the Credit Union effective March 31, 2022. In addition, our outside independent public accountants, Moss Adams LLP, completed their audit for the period January 1, 2022, to December 31, 2022. 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).



# Our Commitment to Sustainability, Diversity, and Inclusion

At BFSFCU, we continuously seek out initiatives that have a positive impact on our environment, our members, and our staff. As a credit union who serves members from around the world, we understand that the decisions we make as part of our day to day operations impact global sustainability.

## Sustainability through Technology

We invested in system upgrades and new services to offer our membership more efficient and environmentally friendly ways to manage their accounts. In 2022, 61.12% of members actively used our Digital Banking platform. Through our Digital Banking app, members deposited 123,191 checks, avoiding mailing a check or making a trip to one of our branches.

Digital Banking also enabled us to safely deliver eStatements to 62%

of our members in an eco-friendly manner, thereby reducing the use of paper, printing, and mailing, thus decreasing our carbon footprint.

Thanks to a new account opening platform implemented in the Summer of 2022, prospective and existing members can now open accounts online, bypassing the need to mail documents or visit our branches. Since its launch, online account opening became an instant success, with 76% of new accounts being opened digitally while offering our members a quicker and a more convenient experience.

Online auto loan applications also allowed our members to take advantage of additional discounts when purchasing eco-friendly vehicles. The program had a record success reaching 437 Green Car Loans.



## Sustainability at the Workplace

We made several modifications to our workspaces, incorporating eco-friendly elements and using strategies to minimize our environmental footprint. As we remodeled some of our outdated spaces, we integrated more sustainable and natural building materials as well as office supplies, and redesigned building seating arrangements to promote the use of natural light.

We conducted energy studies to reduce environmental impact and unintended energy loss. As a result, we installed sensor-enabled workspaces and dimmable lighting, added green outlets to offices which turn off automatically and sun sensors in conference rooms. We also switched all lighting to LED lights.

We encouraged our employees to be more eco-friendly, offering plants to all staff to improve air quality and updating secured bike rooms and mass transportation programs to promote a greener commute.

## Sustainability through Diversity and Inclusion

BFSFCU believes that Diversity and Inclusion is a part of our sustainability efforts. In 2022, we created BFSFCU's Inclusion Advisory Group with the mission of embracing progress, acceptance, culture, and togetherness to enable staff to be their authentic selves in an inclusive workspace. In 2023 and in years to come, the Inclusion Advisory Group expects to promote events and education opportunities for staff.



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by NCUA



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