

## **Minutes of the 75<sup>th</sup> Annual Meeting**

The 75<sup>th</sup> Annual Meeting of Bank-Fund Staff Federal Credit Union (BFSFCU) was held on Tuesday, April 12, 2022, at 3:00 p.m. by audio/video conference.

### **Opening Remarks**

Mr. Eli Vazquez, CEO, welcomed the Credit Union Board of Directors, members, and staff to the 75<sup>th</sup> Annual Meeting.

Mr. Vazquez noted that members were asked to submit questions during registration and that the meeting is being recorded and live transcription is available.

### **Declaration of a Quorum**

Ms. Anne-Marie Gulde, Board President, welcomed members joining locally and internationally, the Board of Directors, BFSFCU management, and staff to the 75<sup>th</sup> Annual Meeting.

Ms. Gulde called the meeting to order at 3:00 p.m., noting that a quorum of at least 15 members was present.

### **Approval of the Minutes of the 74<sup>th</sup> Annual Meeting**

Ms. Gulde presented the minutes of the 74<sup>th</sup> Annual Meeting. There were no comments, questions, or objections received. The minutes were approved.

### **Board of Director's Report**

Ms. Gulde reported that, as we enter our 75<sup>th</sup> year of serving members, we continue to reflect on the Credit Union's core values, accomplishments, and aspirations. A key differentiator is BFSFCU's structure as a not-for-profit, member-owned financial cooperative. Unlike at commercial banks, our members are our shareholders, and the focus is on the member.

Ms. Gulde highlighted that during the past year, despite the low-interest-rate environment, BFSFCU has offered higher rates on deposits, lower rates on loans, and an extremely low fee structure. As a result of strong cost control, prudent investments, sound lending practices, and ongoing member loyalty, BFSFCU was able to return \$23.4 million in dividends, or 0.43% of total deposits, including a \$7 million supplemental dividend.

Ms. Gulde reported that the staff are one of the Credit Union's strongest assets. During 2021, they managed a remarkable workload of approximately 140,000 calls, 120,000 emails, and 7,300 one-on-one appointments.

Ms. Gulde reported that members increased their use of many financial services and products over the past year. Many members chose BFSFCU debit and credit cards for their purchases, and spending on

cards increased by 15.8% to \$849 million. Several legacy credit cards were upgraded to contactless, tap-to-pay functionality, and a new 'My Card Rewards' program was launched. Members completed approximately 233,000 transactions through Zelle® and TransferNow, as well as 95,000 wire transfers. Lastly, the membership shared that foreign currency exchange was an important service, so BFSFCU introduced *Currency Exchange* with convenient home or IFC branch delivery options.

Ms. Gulde reported that on January 1, 2022, BFSFCU launched an exciting Global Rewards program which provides benefits to BFSFCU members based on their *Total Relationship* with the Credit Union. With Premium, Choice, and Optimum levels, members can enjoy more rewards as their relationship grows, including access to premium checking rates, additional loans discounts, fee rebates, and more.

Ms. Gulde reported that BFSFCU continued to remain vigilant against cybersecurity threats with additional investments in digital technology and information security solutions.

Ms. Gulde reported that BFSFCU has grown to become the 45th largest credit union among over 5,000 credit unions in the United States. Assets have nearly doubled over the past ten years from \$3.3 billion to \$6.5 billion.

In closing, on behalf of the BFSFCU Board of Directors, management, and staff, Ms. Gulde thanked the membership for their loyalty and trust.

### **Board Treasurer's Report**

Mr. Christopher Towe, Chair of the Finance Committee and Board Treasurer, provided an overview of the financial performance over the past year. He summarized that, despite the ongoing challenges lingering from the pandemic, the Credit Union experienced a good year and is in a strong financial position.

Mr. Towe reported that even after a 15% surge in member deposits during 2020, the Credit Union saw an additional 11% increase in 2021. Assets reached just over \$6.5 billion by year end 2021, positioning BFSFCU among the largest credit unions in the country. After the surge of lending in 2020 and with the continuation of the low interest rate environment, member demand for mortgages and other loans was modest with net loans rising by 1.4%.

Mr. Towe described the Credit Union's investment holdings, which by regulation and policy are composed primarily of U.S. Treasuries and U.S. government agency supported mortgage-backed securities (MBS). The Credit Union's holdings increased by \$500 million during 2021.

Mr. Towe explained that the quality of loans held by the Credit Union remains excellent due in part to members' commitment to timely servicing of their Credit Union borrowings, despite the pandemic. Net charged-off loans were \$1.0 million for the year and the ratio of the allowance for loan losses to gross loan balances was 0.54% at the end of 2021, lower than at the same time in 2020.

Mr. Towe reported a decrease in total interest and noninterest income of approximately \$10 million to \$149 million in 2021. The decrease in income was offset by the effect of the industry-wide decrease in deposit rates and the Credit Union's tight control over operating expenses. The ratio of operating expenses to total assets decreased to 1.3% in 2021 from 1.4% in the previous year. As a result, the Credit Union achieved a 2% increase in net income to \$46 million allowing the Board of Directors to approve a supplemental dividend payment to members of \$7 million for 2021.

Mr. Towe reported that the Credit Union maintained very strong capital and liquidity positions. The member equity to total assets ratio was 11.15% at year end, well exceeding the NCUA's "well capitalized" threshold of 7.0%. The Credit Union's liquidity position remained very comfortable with large holdings of marketable government securities and \$262 million of cash and cash equivalents at year end.

Mr. Towe closed by affirming that the Credit Union will continue to focus on prudently growing the loan portfolio, appropriately managing its investment portfolio, controlling expenses, and giving back to members by rewarding savings, offering low-cost products, and pricing loans competitively. He noted that due to the Credit Union's strong financial position, management was able to offer the new Global Rewards Program to members at the beginning of January 2022.

Mr. Towe closed by expressing appreciation for the Credit Union's finance team and thanking the members of the Finance Committee for their excellent guidance.

### **Credit Committee Report**

Mr. Stuart Cohen, Chair of the Credit Committee, reported that the Credit Union had a successful loan production year with over 4,000 real estate and 7,900 consumer loans approved in 2021. Total gross loans outstanding as of December 31st, 2021, were over \$3.28 billion.

Mr. Cohen reported that, at year-end 2021, the loan portfolio was comprised of 94.1% real estate loans (\$79.1 million growth from the prior year), 5.3% in consumer loans (\$4.2 million decrease from the prior year), and 0.6% participation loans.

Mr. Cohen reported that the outstanding real estate and consumer loan balances were \$3.09 billion and \$172.3 million, respectively. Outstanding participation loan balances purchased by the Credit Union were approximately \$20.9 million. The gross loan to deposit ratio was 56.8% at year-end 2021 compared to 64.4% at year-end 2020.

Mr. Cohen reported that delinquencies for loans past due by 30 days or more remained low at \$18.8 million as of December 31, 2021, reflecting a 0.58% of total gross loans outstanding, down from 0.90% a year ago. Reportable delinquent loans, defined by the NCUA as delinquent loans 60 days or more past due, were \$7.1 million (0.22% of total gross loans outstanding) as of December 31, 2021, compared to \$12.3 million (0.40% of total gross loans outstanding) as of December 31, 2020.

Mr. Cohen thanked the staff of the Lending Department, the members, and the Credit Committee for their dedicated efforts during this year.

### **Supervisory Committee Report**

Mr. Riaz Ahmed, Chair of the Supervisory Committee, explained that 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.

Mr. Ahmed reported that the auditing firm of Moss Adams was retained to conduct an audit and express an opinion on the financial statements of the Credit Union for the period January 1 through December 31,

2021. Moss Adams completed their audit, which was performed in accordance with generally accepted auditing standards. Their unqualified opinion along with the Credit Union's audited financial statements are available on the Credit Union's website.

Mr. Ahmed stated that the auditor's 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. He further stated that, to the best of their knowledge and belief, the statements covered by the auditor's opinion are accurate.

Mr. Ahmed thanked the Internal Audit team for their support of the Supervisory Committee.

### **Unfinished Business**

There was none.

### **New Business**

A member questioned how BFSFCU is different from most domestic financial institutions in providing value to members. Mr. Vazquez explained that BFSFCU is a not-for-profit member-owned cooperative with the goal to serve and reward the almost 90,000 members. Each member has unique needs, but the primary way BFSFCU can provide value is by paying higher rates on deposits, lower rates on loans, and maintaining an extremely low fee structure. As previously mentioned, on January 1<sup>st</sup>, 2022, BFSFCU launched the Global Rewards program, which includes access to premium checking account rates, loan discounts, and further fee rebates. For internationally inclined members, there are rebates on wire fees and international surcharges on debit card purchases. Global Rewards is a unique program developed by management in collaboration with the Board of Directors to give back value in appreciation of the strong relationship between the Credit Union and the members.

Mr. Vazquez expanded that BFSFCU supported members in times of crisis. During the pandemic, relief options were made available to eligible borrowers, including Skip-A-Pay, emergency consumer loans, and reduced minimum payments. Additionally, BFSFCU staff worked closely with a few country offices that experienced unrest and acted swiftly to secure finances and support the staff and their families during crisis.

A member inquired whether BFSFCU was intending to expand the branch network to the suburbs. Mr. Vazquez confirmed that all branches are open and available to members, and continued by explaining that BFSFCU has invested highly in technology to provide greater access and flexibility for members. As a result, over 70% of members are active users with Mobile Deposit, Zelle, and wires. In addition, BFSFCU was a leader in upgrading credit cards to include contactless tap-to-pay functionality which improves security and accessibility. He reported that the Credit Union partnered with a currency delivery service which is accessible within Online and Mobile banking and enables members to order foreign currency to be delivered to their homes or for branch pick-up.

Mr. Vazquez reported that the branch network will continue to be evaluated; however, as expanding the branch footprint is costly, management and the Board of Directors want to respect expenses and utilize funds prudently. He expressed that BFSFCU continues to seek new and innovative ways for the Credit

Union to reach members where they are, such as the launch of live video appointments so expert staff can virtually collaborate with members.

### **Election Results**

Ms. Gulde announced that Ms. Diann Dodd Martin, Ms. Heidi Hennrich-Hanson, Mr. Vipul Bhagat, and Ms. Sana Al-Hajj were the candidates receiving the highest number of votes and therefore have been elected to the Credit Union's Board of Directors. Ms. Diann Dodd Martin, Ms. Heidi Hennrich-Hanson, and Mr. Vipul Bhagat will serve three year terms and Ms. Sana Al-Hajj will serve a one year term.

### **Adjournment**

The Board President adjourned the Annual Meeting at 3:41 p.m.

