

cultivate & enable



Annual Report 2023





Cultivate: Trust

To cultivate and enable shared prosperity through trusted financial services.

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Cultivate: Relationships

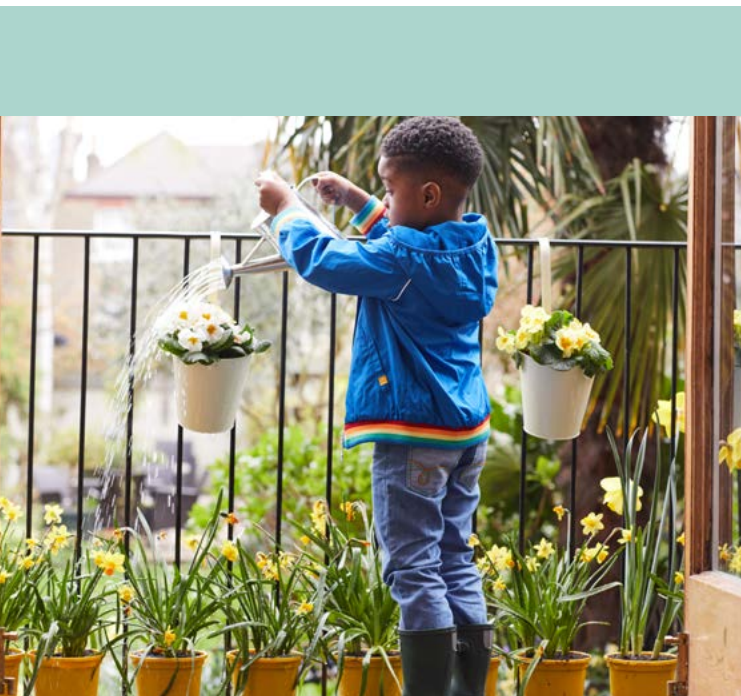
In 2024, BankFund expects to reach a historical milestone - welcoming our 100,000th member.

Message to Our Members

To cultivate and enable shared prosperity through trusted financial services. BankFund's purpose statement beautifully captures the cooperative spirit that drives the credit union movement. During the 19th century, credit unions were established through select employer groups to provide collective benefits and financial services to member-owners through pooled resources and efficient operations. Since then, the credit

union movement has expanded across the globe and continues to advance financial inclusion while promoting thrift and education – and BankFund is proud to be part of this exciting growth.

As cooperatives only thrive when new members join existing members, organic membership growth is critical to shared prosperity. During the past year, BankFund membership grew by over 4% to more than 97,500 member-owners worldwide who continue to value our products and services, competitive rates, and low fees. In 2024, BankFund expects to reach an exciting historical milestone – welcoming our 100,000th member. BankFund continues to demonstrate that the cooperative spirit that drives the credit union movement is still flourishing.



Financial strength and stability are paramount to our collective success, and we are pleased to report that strong earnings and net worth, combined with ample liquidity, positioned BankFund to withstand one of the most volatile economic environments in decades. For the past several years, the Federal Reserve increased interest rates to temper inflation and moderate the demand for goods and services. While further increases are not expected in 2024, many financial institutions remain faced with halted loan demand, increased loan losses and liquidity challenges. BankFund, conversely, has emerged strong due largely to a prudent approach to pricing, lending, and investing.

BankFund is the 52nd largest credit union among more than 4,600 credit unions in the US and holds more than \$6.3 billion in assets. Our strong net worth ended the year at 12.93%.

The dedicated BankFund team embraces our IMPACT service philosophy as our guiding principle.

By demonstrating we are Innovative, Member-Centric, Proactive, Accountable, Connected and Trustworthy, the BankFund team acts to positively IMPACT each of our members.

Through signature initiatives like **Global Rewards** and **My Card Rewards**, BankFund was able to give back to members by offering outstanding dividends on the high-yield **Premier Checking** account, substantial discounts on loan rates, and generous rebates on our already low fees. Over the course of the year, the interest rate on the Premier Checking account nearly doubled and was recently raised again to the highest interest rate since the inception of the Global Rewards program. BankFund's deposit-pricing strategy is to maintain competitive rates across deposit products throughout the year, and regularly adjust to sustainable market rates that benefit all members.

In 2023, BankFund members received great value from a variety



of products and services. Members opened 4,579 premium 3-month and 6-month share certificates, for a total volume of more than \$332 million. Additionally, the **Beyond Visa Signature Credit Card**, already our most rewarding card, became even more rewarding. Cardholders earned 717 million points, thanks to the introduction of 5X points on air travel, 3X points on hotels and stays, 3X points on restaurants, 2X points on car rentals, and 1X points on other charges. Points can be redeemed for cash back, merchandise, gift cards, travel, charitable donations, and more.

BankFund members continued to choose the Credit Union to help meet their needs for personal lending solutions. In 2023, a new personal loan was introduced that can be used for any purpose and requires no collateral. The **Personal Line of Credit** provides members with quick access to cash as well

as peace of mind when faced with unexpected expenses. Over 3,000 auto loan rate discounts were applied through our **Global Rewards, Green Car** or **Car Buying** programs, saving members thousands of dollars on financing their auto purchases.

Enhancing the member experience through innovative digital technology remains a top priority. BankFund introduced **Live Chat**, a feature of the Digital Banking platform that connects members to our team via a dedicated chat screen and enables them to seamlessly switch to audio or video calls during the same conversation. Live Chat also features a “virtual assistant” that leverages automation to provide 24/7 assistance to members seeking quick answers to their questions.

With the member experience in mind, the BankFund website at

BFSFCU.org introduced several key enhancements, including tabbed browsing for easy navigation, optimized search to help members quickly find what they're looking for, and a new suite of helpful financial calculators.

Recognizing that members rely on BankFund for advice, resources, and solutions to help make informed decisions about finances, many opportunities for member education and financial wellness were offered in 2023. Last year, BankFund hosted 56 webinars covering a wide range of topics, from cybersecurity awareness to income tax reporting and estate planning, all tailored to member needs. Data privacy protection remains critical and, in 2023, BankFund was proud to receive an 'Excellence in Network Security' award.

BankFund remains committed to giving back to our community by supporting organizations and individuals making a difference, including Margaret McNamara

Education Grants (MMEG), Habitat for Humanity, Children's Miracle Network, and more.

BankFund also established a partnership with the World Council of Credit Unions (WOCCU), an international advocacy group that works on behalf of credit unions and financial cooperatives worldwide.

As our team reflects on the past year and all the great accomplishments made to improve service and value to our member-owners, we find ourselves inspired to cultivate and enable more rewarding relationships in the year ahead. We remain committed to delivering the best value while prioritizing safety, soundness, and sustainability. On behalf of the BankFund team and our Board of Directors, we thank you for your continued loyalty to our cooperative.

Anne-Marie Gulde

President, Board of Directors

Eli Vazquez

Chief Executive Officer



BankFund remains committed to giving back to our community by supporting organizations and individuals making a difference.

Cultivate: Community

Giving Back to Our Members

Dividends

\$59.3
MILLION

Total Dividends

\$3.1 MILLION

Premier Checking Account
Dividends

\$56.2 MILLION

Regular Dividends

Loans Granted



\$377 MILLION

Total Loans Granted



\$288 MILLION

Total Mortgages Granted



\$49 MILLION

Total Auto Loans Granted



\$40 MILLION

Total Other Loans Granted

Rewards

\$1.8 MILLION

Total Global Rewards Rebates and Cash Rewards

\$695

THOUSAND

Total ATM Fee Rebates

\$631

THOUSAND

Total Wires Fee Rebates

\$358

THOUSAND

Total Debit Card Foreign Transaction Fee Rebates

\$82

THOUSAND

Total Mortgage Cash Rewards

\$16

THOUSAND

Total GAP Fee Rebates

Credit Cards & Other Rewards



717 MILLION

Credit Card Rewards Points Awarded



3,051

Auto loan rate discounts applied through our Global Rewards, Green Car or Car Buying programs

Member Engagement in Numbers

Digital Tools



60,407

Digital Banking
Active Users



23,746

Users on Our
Cards App



115,032

Mobile Check
Deposits



57%

Members Registered
for eStatement



29,704

Members Enrolled in
BillPayer



26,333

Total Members
Enrolled in Voice ID

Money in Motion

302,245

Total Zelle® Transactions

165,447

Wire Transfers

Member Engagement



121,924

Calls Answered



28,957

Member Interactions on our Virtual Assistant Tool



37,377

Member Service Interactions in Our Branches



123,809

Emails & Secured Messages Answered



1,261

Member Video Appointments

Member Education

56

Educational Webinars

3,502

Members Attended our Webinars in 2023

12

Fraud Prevention Newsletters and Educational Emails Sent

Leadership 2023

Board of Directors



Anne-Marie Gulde
President



Van Pulley
Vice President



Vipul Bhagat
Secretary



Christopher Towe
Treasurer



Sana Al-Hajj
Director



Diann Dodd Martin
Director



Heidi Hennrich-Hanson
Director



Ann Rennie
Director



Amadou Sy
Director



Andrew Giddings
Counsel to the Board

Senior Management



Eli Vazquez
Chief Executive Officer



David D'Annunzio
Chief Financial & Strategic
Officer



Oma Ressler
Chief Operations Officer



Mary Thibeault
Chief Risk Officer



Demetris Charalambous
Chief Information Officer



Jennifer Kuhn
Chief Human
Resources Officer



**Maria Eugenia
Garcia-Lopez**
Chief Marketing Officer



Cultivate: Strength

Financial strength and stability are paramount to our collective success.

Supervisory Committee Report



Riaz Ahmed
Chair, Supervisory
Committee

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 BankFund's Internal Audit department, evaluates the adequacy and effectiveness of internal controls established by management, and obtains an annual audit of BankFund's financial statements performed by an independent certified public accounting firm.

The Committee engaged the auditing firm of Moss Adams LLP to conduct an audit and express an opinion on BankFund's financial statements for the period January 1, 2023, through December 31, 2023. Moss Adams has completed their audit, which was performed in accordance with generally accepted auditing standards.

Their unmodified opinion, along with BankFund's audited financial statements, is available on BankFund's website located at BFSFCU.org. We confirm that the auditor's report is based on information obtained from BankFund's records and through transaction testing and 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.



We demonstrate that the cooperative spirit that drives the credit union movement continues to flourish.

Cultivate: Growth

Financial Statements

(In Thousands, US\$)	2023	2022	% Change
Statements of Financial Condition			
Cash and Cash Equivalents	\$ 296,632	\$ 333,062	(10.94)
Investments	2,276,760	2,500,029	(8.93)
Loans (Net of Allowance for Credit Losses)	3,628,981	3,470,669	4.56
Other Assets	136,694	158,072	(13.52)
Total Assets	6,339,067	6,461,832	(1.90)
Deposits	5,599,470	5,820,398	(3.80)
Other Liabilities	95,465	101,925	(6.34)
Total Equity	644,132	539,509	19.39
Total Liabilities and Members' Equity	6,339,067	6,461,832	(1.90)
Statements of Income			
Interest Income	\$ 182,503	\$ 146,398	24.66
Interest Expense (Dividends)	59,278	24,598	140.98
Net Interest Income	123,225	121,800	1.17
Provision for Loan Losses	2,401	(855)	(380.79)
Noninterest Income	13,047	11,802	10.55
Noninterest Expense	92,989	86,380	7.65
Net Income	40,882	48,077	(14.97)
Key Equity Ratios			
Members' Equity to Deposits*	14.64%	13.37%	9.52
Members' Equity to Total Assets*	12.93%	12.04%	7.41
Other Highlights			
Mortgage Servicing Portfolio	\$ 89,423	\$ 91,845	(2.64)
Operating Expense to Assets	1.47%	1.34%	9.74
Members	97,593	93,819	4.02
Digital Banking Active Users	60,407	57,340	5.35

* Members' Equity is not inclusive of unrealized gains and losses, in accordance with regulatory guidelines for the calculation of capital requirements ratios.



We are the 52nd largest credit union among more than 4,600 credit unions in the US, with more than \$6.3 billion in assets.

Cultivate: Prosperity

Financial Report

Total gross loans outstanding as of December 31, 2023, were \$3.6 billion. Our December 31, 2023, loan portfolio was comprised of 90.1% real estate loans, reflecting \$28.2 million in growth from 2022; 6.4% consumer loans, reflecting a

\$33.0 million increase from 2022; and 3.5% loan participations.

Many depository institutions experienced a contraction in member deposits in 2023 as a result of the continued impacts of inflation and a rising rate environment. During the year, total Credit Union deposits decreased by \$220.9 million, or 3.8%, ending the year at \$5.6 billion. This reflected a \$851.1 million decrease in non-maturing deposit accounts, to \$4.4 billion, which more than offset a \$630.2 million increase from share certificates and IRAs, which totaled \$1.2 billion by year-end.

Largely as a result of the contraction in member deposits, the Credit Union's gross loans-to-deposits ratio rose to 65.2% at the end of 2023 compared to 60.0% at the end of 2022, and total assets ended the year at \$6.3 billion, 1.9% lower than at year-end 2022.

Enjoy more ways to earn even more points:

5X points for airline purchases

3X points for hotels, motels, Airbnb & Vrbo

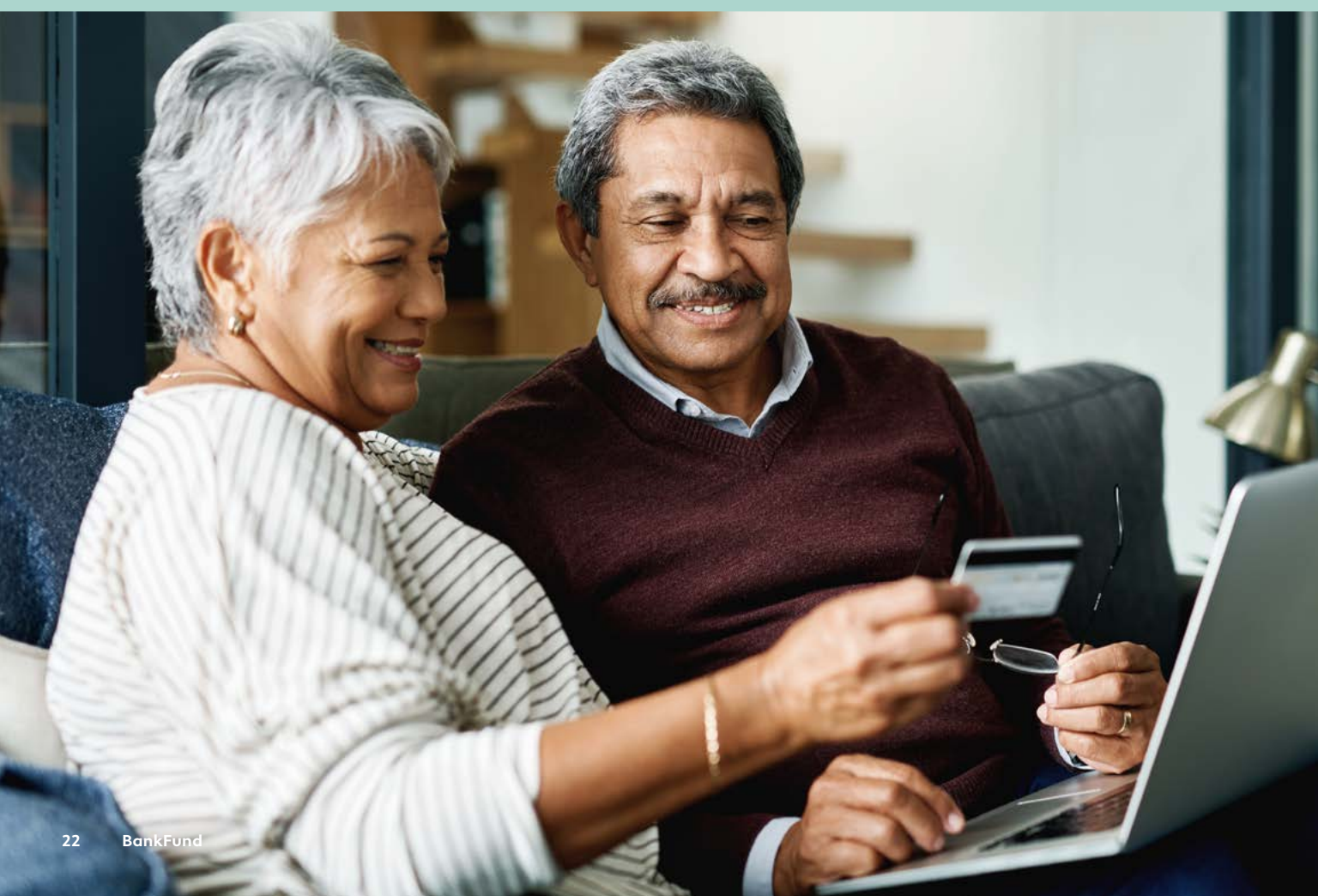
3X points for restaurants

2X points for car rentals

1X points for all other purchases

Net income was \$40.9 million in 2023, as compared to \$48.1 million in 2022. Revenues, defined as interest income and noninterest income, increased to \$195.6 million in 2023, as compared to \$158.2 million in 2022. This increase was driven by higher market rates on investments and newly originated loans as well as growth in loan balances. Noninterest income

increased primarily due to the fees earned in response to the growth in member usage of credit and debit cards. Regular dividend expense increased in 2023 by \$34.7 million, to \$59.3 million as deposit rates remained strong and deposit balances moved from checking and money management accounts into share certificates.



We continued to exercise firm control over costs while still investing in technology and staffing to further enhance the member experience. Noninterest expense, or operating expense, increased by 7.7% compared to 2022, which coupled with the decrease in total assets meant that our expenses as a share of total earning assets rose from 1.37% in 2022 to 1.53% in 2023.

During 2023, the allowance for credit losses (the “reserve”), which represents management’s estimate of credit losses inherent in the loan portfolio, increased to \$16.8 million from \$16.2 million in 2022. As of December 2023, the reserve ratio, defined as the allowance for credit losses to gross loan balances outstanding, stood at 0.46% - slightly lower than the 0.47% at the same time in 2022.

Delinquent loans (loans past due by 30 days or more) remained low, \$16.2 million as of December 31, 2023, reflecting 0.46% of total gross member loans outstanding. Reportable delinquent loans

(defined by the NCUA as those delinquent loans 60 days or more past due) were \$7.7 million as of December 31, 2023, or 0.22% of total gross member loans outstanding.

Expenses for loan loss provisions were at \$2.4 million in 2023, up from negative (\$0.9) million in 2022. Credit quality remained strong, with net charged-off loans of \$0.8 million for the year ended December 31, 2023, compared to \$0.7 million in 2022.

Liquidity and Investments

The Credit Union continued to maintain substantial liquidity and the cash and cash equivalents position ended the year at \$296.6 million, as compared to \$333.1 million at the end of 2022. Investments, which are composed primarily of U.S. Treasury and U.S. government agency mortgage-backed securities, decreased \$223.3 million compared to 2022 ending the year at \$2.3 billion. Much of this decrease is attributable to the contraction in

deposit balances. Improved yields led to an 89 basis points increase in yield for the investment portfolio, up to 2.26%, in 2023 versus 1.37% 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 12.93% as of December 31, 2023, an increase of 0.89% from December 31, 2022, and continues to exceed the NCUA's "well capitalized" threshold of 7.00%. The Credit Union's capital base increased by \$41.8 million, or 5.4%, in 2023, and continues to demonstrate our commitment to ensuring the organization's financial viability while still investing in technology infrastructure and expanding services to members.

NCUA Examination / External Audit

Our NCUA examiners completed their most recent examination of the Credit Union effective March 31, 2023. In addition, our outside independent public accountants, Moss Adams LLP, completed their audit for the period January 1, 2023, to December 31, 2023. 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).

Cultivate: Sharing

BankFund members continued to choose the Credit Union to help meet their needs for personal lending solutions.





Cultivate: Sustainability

Streamlining access to services helps reduce paperwork and the consumption of valuable resources.

Cultivating Sustainability, Diversity, and Inclusion

At BankFund, our purpose to “Cultivate and enable shared prosperity through trusted financial services” is also reflected in our commitment to fostering sustainability, diversity, and inclusion in the workplace as well as in the communities we serve.

Leveraging Technology to Make a Difference

Investing in technology upgrades enhances our members’ ability to manage their finances from anywhere and at any time, but it also contributes to sustainability. Streamlining access to account information, products, and services, and making it easier for members to open accounts and apply for mortgages online, helps reduce paperwork and the consumption of valuable resources.

Making it Easier to Go Green

In 2023, 524 BankFund members took advantage of our rate discounts for “green cars” - vehicles that are considered environmentally friendly by the U.S. Environmental Protection Agency. Members at the “PLUS” and “OPTIMUM” levels of our Global Rewards program were able to reduce their rate even further through additional auto loan discounts.

Diversity and Inclusion

We are proud of our diversity and make every effort to create a culture of inclusion at our workplace. Among our staff, 54.2% identifies as Black, Asian, or two or more races, while 52.3% of our management team falls into the same self-identified categories. Female employees account for 57% of managers.

Our Inclusion and Advisory Group continued to embrace progress, acceptance, culture, and togetherness, enabling staff to be their authentic selves in an inclusive workspace.

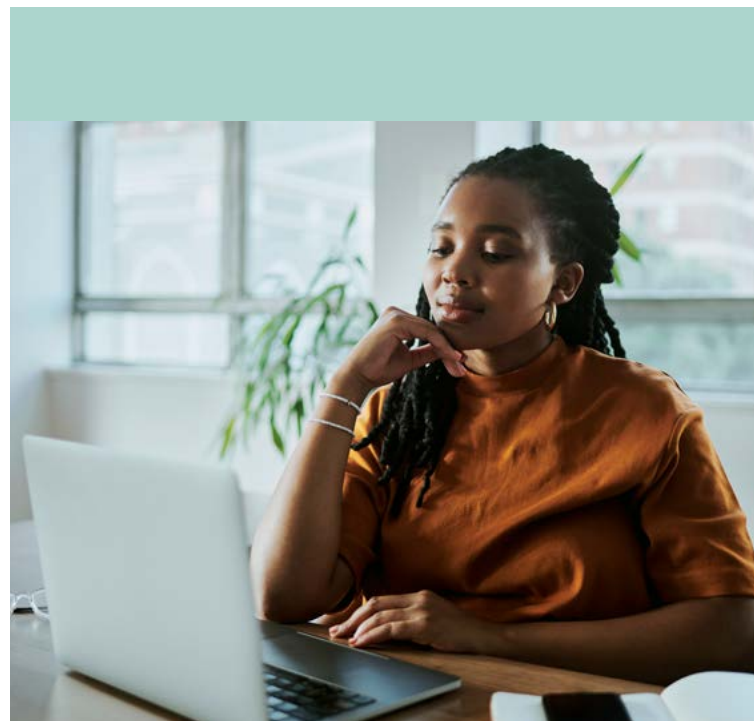
A More Sustainable Future

Our focus on sustainability will continue in 2024. Most notably, we will be launching a new line of debit and credit cards produced from up to 85% Earthwise® upcycled plastic. This choice will help us reduce our consumption of first-use plastic while also reusing materials that might otherwise end up in landfills.

Supporting our Communities

Through our Giving Back program, BankFund team members volunteer and provide financial support to numerous local charities and communities, such as Rebuilding Together, Save the Children, Children’s Miracle Network Hospitals, World Council of Credit

Unions, and other charitable programs run by the World Bank Group and the International Monetary Fund. In 2023, BankFund organized a canned food drive for the Capital Area Food Bank, and donated \$121,090 to the various charitable organizations we support. We are proud of our philanthropic initiatives, and we are excited to explore further opportunities in 2024.



Members and Technology

71.53%

of new BankFund accounts were opened online in 2023, bypassing the need to mail documents or visit our branches.

60,407

members actively used our Digital Banking platform in 2023.

115,032

checks deposited remotely instead of mailed or brought to a branch.

57%

of our members received their monthly statement electronically through Digital Banking instead of through the mail in 2023.





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