



GROWING TO SERVE



MEMBERS BETTER

BOC

2004 ANNUAL REPORT



The credit union movement was started nearly 150 years ago by people who envisioned a better financial alternative. Today, we're proud to continue their heritage of innovation and service. We take a proactive stance as we seek out the finest products and service available. And at the same time, we're determined to let our Members lead the way!

In 2005, we will continue to listen to your needs and concerns. We will develop new products and services to make your life easier and more rewarding. We will keep an eye on developing technologies to help you save time. We will support your financial goals with low-cost loans, superior savings accounts and personal, one-on-one service.

BCU is committed to the communities we serve. We watch for opportunities to offer support and resources to people of all ages, because at our core we're all about people!

We are happy to have you, our Members, alongside us as we grow even bigger, better and stronger in the years to come. ■



We **personalize** your experience.

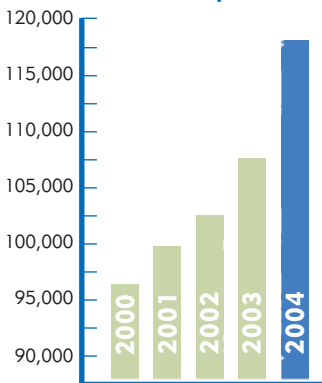
We **reward** your loyalty.

We **exceed** your expectations.

We are **committed** to your prosperity.

We **succeed** together.

Membership Growth



BCU enjoyed another successful year in 2004. We increased in membership, we expanded our services and we supported our Members' financial needs in many different ways. As we look back on all these accomplishments, we are reminded that we have enjoyed solid growth year after year, not just because of the things we do – but because of who we are.

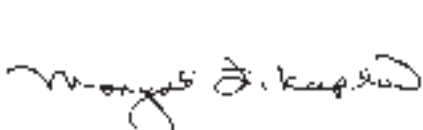
We are a credit union. That's a simple statement, but one with profound implications. As a credit union, we are not locked into a profit-driven mindset. We have the freedom to support the best interests of our Members, and to explore new directions of service that are consistent with our people-oriented philosophy.

2004 was a year of growth for us, as membership increased to 117,962 and assets grew 10.2% to almost \$970 million. Our loan portfolio showed a healthy increase in 2004, up 11.4% to over \$816 million, with many Members turning to us for assistance with buying a new car, moving into a new home, sending their children to college and other worthwhile goals. In many cases, BCU was able to open these doors to Members who may not have previously qualified for such programs, and it is these cases that we find truly rewarding.

It was also a year of giving back, as we sought out ways to strengthen and support the communities we serve. BCU provided support for local schools, athletic programs and chambers of commerce through financial donations, volunteer efforts and our high school cooperative programs. We made charitable donations to numerous non-profit organizations. And our employees gave generously of their time and talents, volunteering for a variety of community causes and events.

At BCU, we are doing everything we can to help our Members protect themselves against online fraud and identity theft, both of which are at an all-time high in the U.S. We continue to upgrade our technology and perform network penetration tests to assess our internal and external vulnerabilities. We have worked to enhance our fraud prevention process and encourage all partnering vendors to do the same.

We are proud of our heritage of Member service, and promise to keep the focus on our Members. With new technologies, new avenues of service and a steady influx of new Members, we will continue to grow and evolve through 2005 and beyond, and we look forward to making that journey with you. ■



Margot F. Kaplan, Chairperson



Michael G. Valentine, President & CEO

As of December 31, 2004 and 2003

(in thousands) **2004** **2003****ASSETS**

Cash and cash equivalents	\$ 10,080	\$ 8,779
Investment securities available-for-sale	36,236	30,044
Other investments	76,600	87,858
Mortgage loans held for sale	5,974	1,872
Loans to members, net	811,565	728,450
Accrued interest receivable	3,068	2,749
Property and equipment	13,082	8,849
NCUA share insurance deposit	6,259	5,863
Other assets	6,934	5,512

TOTAL ASSETS **\$ 969,798** **\$ 879,976****LIABILITIES AND MEMBERS' EQUITY****LIABILITIES**

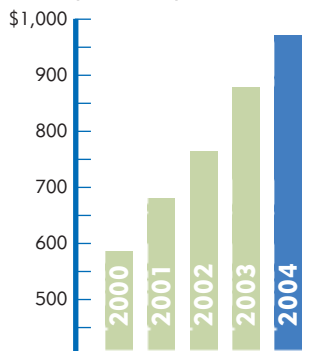
Members' shares	\$ 814,606	\$ 736,898
Borrowed funds	60,000	65,000
Accrued expenses and other liabilities	17,054	12,808

Total Liabilities **891,660** **814,706****MEMBERS' EQUITY**

Regular reserve	35,725	35,725
Undivided earnings	43,093	29,812
Accumulated other comprehensive income	(680)	(267)

Total Members' Equity **78,138** **65,270****TOTAL LIABILITIES AND MEMBERS' EQUITY** **\$ 969,798** **\$ 879,976****Asset Growth**

(in millions)



Years ended December 31, 2004 and 2003(in thousands) **2004** **2003****INTEREST INCOME**

Interest on loans to members	\$ 46,015	\$ 41,884
Interest on investments	4,865	5,222

Total Interest Income	50,880	47,106
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INTEREST EXPENSE

Dividends on members' shares	17,184	16,682
Interest on borrowed funds	1,278	742

Total Interest Expense	18,462	17,424
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NET INTEREST INCOME	32,418	29,682
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Provision for loan losses	3,308	2,820
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Net Interest Income		
After Provision for Loan Losses	29,110	26,862

NON-INTEREST INCOME

Interchange income	7,323	6,433
Service charges and other fees	7,407	8,054
Net gains on sales of mortgage loans	1,156	2,429
Other mortgage income	1,306	1,437
Net gains (losses) on sales of investments	(39)	87
Other income	4,812	3,228

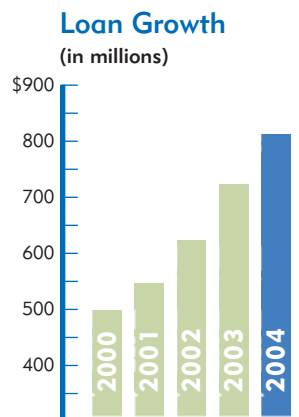
Total Non-Interest Income	21,965	21,668
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OTHER OPERATING EXPENSES

Salaries and benefits	15,935	14,514
Loan costs	7,129	9,404
Equipment and data processing	3,294	2,947
Office occupancy	1,830	1,412
Other expense	9,606	8,691

Total Other Operating Expenses	37,794	36,968
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NET INCOME	\$ 13,281	\$ 11,562
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BCU offers a better choice for your financial needs—and we're getting better all the time!



Expanding Service

New Crystal Lake Service Center

Our beautiful new Service Center in Crystal Lake, Illinois, provides a full range of services. Our friendly staff is on hand to help Members open new accounts, apply for loans, discuss investment choices and much more. A drive-up ATM provides 24-hour convenience, a drive-up teller lets you conduct transactions without leaving your car, and a community room is available at no cost for local organizations.

New Select Employee Groups

During 2004, we were pleased to welcome 12 new Select Employee Groups to our credit union family. This includes Cardinal Health which represents over 35,000 employees in the U.S. We look forward to providing products and services to meet the needs of our growing membership base.

Expanded Wealth Management Services

As our Members' financial needs become more sophisticated, BCU has responded with an increased emphasis on wealth management and investment services. Our MEMBERS Financial Services (MFS) representatives are available for no-cost, no-obligation consultations right here at the credit union. You can turn to them for friendly, professional assistance with asset allocation, retirement planning, trust services, money management and much more.

New Mortgage Programs

BCU is one of the few financial institutions to participate in a pilot 40-year fixed-rate mortgage program. This loan is ideal for members who are challenged by affordability issues or live in high-cost areas and think homeownership is beyond their reach. This product appeals to more financially conservative members who prefer lower monthly payments combined with the stability of a fixed rate.

Our InterestFirst™ Mortgage provides lower payments for the first few years of a fixed or adjustable-rate mortgage. In addition, we make a special effort to extend mortgages to people who may not qualify under conventional lending guidelines.

Expansion of ATM Networks

We expanded our ATM networks by joining forces with Allpoint, offering our members access to over 32,000 surcharge-free ATMs across the country. ■

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Brien Lang Building

McGaw Park, IL 60085

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Trustmark

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Lake Forest, IL 60045

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Route 120 & Wilson Road

Technology Building

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Maricao, PR 00606

San German

P.O. Box 5200

Road 122 KM 0.5

San German, PR 00683



To serve members who do not live near a BCU location, your credit union is affiliated with a shared branching network with over 1,400 locations in 40 states and 5 countries. Visit the Branch and ATM Locator at www.BCU.org to search for the shared location nearest you.