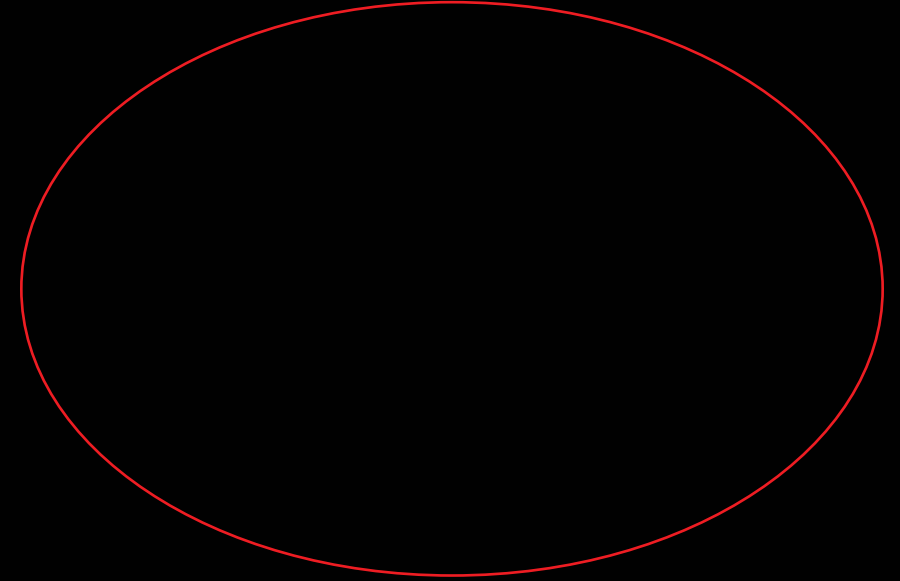


BCU

Annual Report

2005

BCU



“Thanks A Billion”

“

We have had a remarkable history of growth and have now reached \$1 billion in assets. This is a major milestone in the history of the credit union. One that could not be reached without the loyalty of our members and the dedication of our staff and volunteer Board.”

– Michael G. Valentine,
President and CEO



Special Thanks to our Members,
Employees and Volunteer Board
We Succeed Together

CHAIRPERSON/PRESIDENT'S MESSAGE

We cannot start our report this year without sharing some great news. The credit union reached a significant milestone in 2005, surpassing \$1 billion in assets. This achievement is a testimony to the enduring relationships we have formed with our members, our sponsor companies and our staff. Years of effort and hard work on the part of our volunteer Board and employees combined has made us a strong organization and allows us to provide unparalleled value to our members.

BCU was started in 1981 when twenty Baxter employees deposited \$25 each into the fledgling credit union. That tiny organization—established with just \$500 in member funds—is now a billion-dollar, award-winning, leading-edge financial institution. As we enter our 25th year, we are proud to serve over 117,000 members throughout the United States, Puerto Rico and around the world. The positive momentum that began in 1981 shows no sign of slowing down!

Regardless of our size, serving the needs of our members is, and will always be, paramount for us. We set ourselves apart in the highly competitive financial services industry by doing everything we can to ensure we bring the best value to our members. We strive to go beyond competitive savings and loan rates. This takes personal service, innovative products, convenient access and true commitment to the financial well-being of each person we serve. BCU is

dedicated to delivering this kind of value each and every day.

Financially, we continued to grow our capital reserves to 8.9% through solid earnings and managed asset growth and are considered a “well capitalized” institution, the highest regulatory classification. Our loan portfolio grew by 10.2% and reached \$900 million, as members turned to us for competitive rates and straightforward solutions to meet their borrowing needs. Member shares increased by 5.1% over 2004 and totaled \$856 million.

On the expense side, we returned \$20.8 million in dividends to our members in 2005, an increase of \$3.6 million, or 21.1%, over 2004. We also saw credit card CUREwards redemption costs increase to \$4.1 million from \$2.9 million in 2004. This expense reflects the value we are giving back to our members as they redeem points earned toward travel and merchandise. The recent Bankruptcy Reform Act also caused increased expenses in the form of higher loan losses for us and the industry as a whole, with record levels of debtors rushing to file before the law change. Despite these expense increases, our net earnings totaled \$11.9 million in 2005 as compared to \$13.3 million in 2004. This equates to a return on average assets, or ROA, of 1.19% in 2005 versus 1.42% in 2004. These ROA ratios are considered high performing levels when compared to our industry peer group.

BCU is continually looking for ways to improve accessibility and services. We installed two new branches in 2005, redesigned others, opened several ATMs, and completed a comprehensive upgrade of our online services. In November, we added our very popular CUREwards points to our debit card program.

Our member-focused philosophy extends into our own corporate community, and from there into the communities we serve. In recognition of the value we place on our employees, and the time and effort we put into community service, we were honored to be one of 17 organizations named to the Annual Honor Roll list of The Center for Companies That Care. The winning companies were judged according to ten characteristics which indicate high levels of integrity, compassion and civic responsibility.

We'd like to offer a heartfelt “Thanks a billion!” to our Board and to all of the members and employees who helped propel us to new heights this year, and who form the foundation of BCU's success. We are excited to see where the future will take us.



Margot F. Kaplan
Chairperson



Michael G. Valentine
President & CEO

We Are your **Partner** of Choice

We Are your **Employer** of Choice

We **Personalize** your Experience

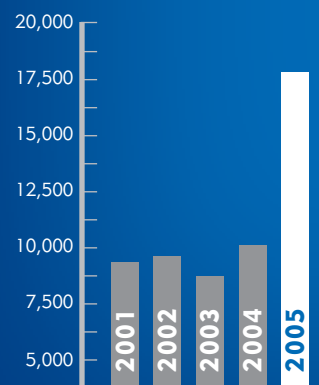
We **Reward** your Loyalty

We **Exceed** your Expectations

We Are **Committed** to your Prosperity

We **Succeed** Together

New Member Growth

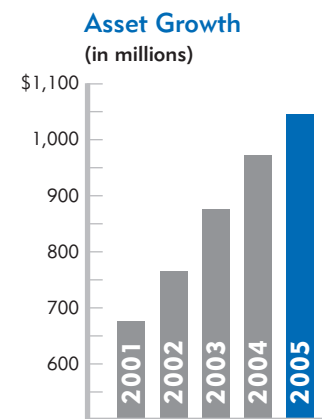


STATEMENTS OF FINANCIAL CONDITION

As of December 31, 2005 and 2004

(in thousands)	2005	2004
Assets		
Cash and cash equivalents	\$ 13,932	\$ 10,080
Investment securities available-for-sale	21,470	36,236
Other investments	73,518	76,600
Mortgage loans held for sale	3,357	5,974
Loans to members, net	894,894	811,565
Accrued interest receivable	3,662	3,068
Property and equipment	16,145	13,082
NCUA share insurance deposit	7,626	6,259
Other assets	8,975	6,934
Total Assets	\$ 1,043,579	\$ 969,798

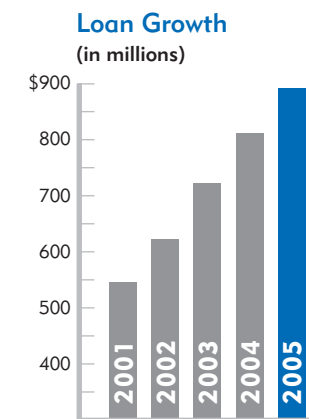
(in thousands)	2005	2004
Liabilities and Members' Equity		
Liabilities		
Members' shares	\$ 856,016	\$ 814,606
Borrowed funds	80,000	60,000
Accrued expenses and other liabilities	17,615	17,054
Total Liabilities	953,631	891,660
Members' Equity		
Regular Reserves	35,725	35,725
Undivided earnings	55,011	43,093
Accumulated other comprehensive income	(788)	(680)
Total Members' Equity	89,948	78,138
Total Liabilities and Members' Equity	\$ 1,043,579	\$ 969,798



STATEMENTS OF INCOME

Years ended December 31, 2005 and 2004

(in thousands)	2005	2004
Interest Income		
Interest on loans to members	\$ 54,731	\$ 46,015
Interest on investments	3,523	4,865
Total Interest Income	58,254	50,880
Interest Expense		
Dividends on members' shares	20,815	17,184
Interest on borrowed funds	2,368	1,278
Total Interest Expense	23,183	18,462
Net Interest Income	35,071	32,418
Provision for loan losses	4,825	3,308
Net Interest Income After Provision for Loan Losses	30,246	29,110
Non-Interest Income		
Service charges and other fees	9,777	8,757
Interchange income	8,300	7,323
Other mortgage income	1,448	1,306
Net gains on sales of mortgage loans	1,425	1,156
Net losses on sales of investments	(198)	(39)
Other income	4,500	3,462
Total Non-Interest Income	25,252	21,965
Other Operating Expenses		
Salaries and benefits	17,839	15,935
Loan costs	8,824	7,129
Equipment and data processing	4,023	3,294
Office occupancy	2,349	1,830
Other expense	10,546	9,606
Total Other Operating Expenses	43,581	37,794
Net Income	\$ 11,917	\$ 13,281



ENHANCEMENTS FOR 2005

State-of-the-Art Website

In June of 2005, we implemented an entirely new website. It was the result of 18 months of effort; effort which began by our asking members: "What would you like to see improved?" We listened to their feedback and the result is a site that is faster, even more secure and easier to navigate.

A few notable improvements include a completely redesigned member interface, faster access and improved security. The information on the site is better organized, the graphics more pleasing and nothing is more than a few clicks from the home page. The speed is much improved. Members can get information about all of their accounts within a few seconds. In addition, the amount of account history available online was doubled. Statement information is now available online for 18 months and members can download electronic statement copies to keep for their permanent record.

Most important of all is security. Our new site uses the latest security technology, including Secure Sockets Layer (SSL) technology, firewalls, and other forms of encryption, to protect member information. In addition, the security of our systems is thoroughly and rigorously tested on a regular basis by outside experts in Internet security. Our site meets the highest industry standards for secure transactions.

More Locations for More Convenience

Two new branches were opened in 2005. Early in the year, we opened a full-service branch in Maple Grove, Minnesota. Several months later, we celebrated a second branch opening in Miami, Florida. Existing offices in Deerfield, IL and Irvine, CA were given much needed facelifts and now provide updated amenities and more functional member spaces.

Our members appreciate the convenience of surcharge-free ATMs. BCU was pleased to add 8 new proprietary ATMs and upgraded several machines around the country. We were also able to add access to hundreds of new surcharge-free ATMs through our partnerships with CUSwirl, Allpoint, and other nationwide networks. Best of all, members can now find the surcharge-free machine or branch location nearest them using the Mapquest™-driven search tool available on our new website.

More Rewarding Products

2005's most exciting product enhancement was the addition of CUREwards points to our debit cards. It is an extension of our highly popular credit card rewards program. Members who use their credit union VISA® check card for signature-based transactions now earn 1 reward point for every \$2 spent. They can also combine these points with their credit card points to earn travel and merchandise even faster than before. It is another way of thanking our members for using their credit union.

BOARD OF DIRECTORS, COMMITTEES AND OFFICERS FOR 2005

Board of Directors

Michael J. Baughman
Robert A. Benziger
David Drohan
Thomas W. Hodson
Margot F. Kaplan
Ron K. Labrum
Samuel G. O'Kelly
Douglas D. Shuma
James H. Taylor, Jr.
Charles W. Thurman
Michael G. Valentine
Worth D. (Dave) Holder, Jr.

Executive Committee

Margot F. Kaplan
Chairperson

Robert A. Benziger
Thomas W. Hodson
Douglas D. Shuma
Charles W. Thurman

Supervisory Committee

Michael J. Baughman
Chairperson

John M. Bird
Sebastian Bufalino
Teresa Hatten
Ann Ireland

Membership Committee

Samuel G. O'Kelly
Chairperson

Michelle Bloedorn
Dennis J. Sosinski
Robert Worobow

Finance Committee

Charles W. Thurman
Chairperson

Todd A. Gustafson
Thomas W. Hodson
Margot F. Kaplan
James C. Luthin

Compensation Committee

Margot F. Kaplan
Chairperson

Douglas D. Shuma

Officers

Michael G. Valentine
President/CEO

Margot F. Kaplan
Chairperson

Douglas D. Shuma
Vice Chairperson

Robert A. Benziger
Secretary/Assistant Treasurer

Todd A. Gustafson
CFO/Treasurer/
Senior Vice President

Robert McKay
Senior Vice President/COO

Lisa A. Wilson
Senior Vice President/
Human Resources

Michelle Bloedorn
VP/Marketing

Patti Dixon
VP/Service Centers

Jeffrey M. Johnson
VP/Information Systems

John R. Ridge
VP/Wealth Management

Herbert Behrens
VP/Lending

BCU SERVICE CENTERS

Arkansas

Mountain Home
1900 North Highway 201
Mountain Home, AR 72653

California

Glendale
4501 Colorado Boulevard
Los Angeles, CA 90039

Irvine
1212 Alton Parkway
Irvine, CA 92606

Westlake Village
1 Baxter Way
Westlake Village, CA 91362

Florida

Miami*
8600 N.W. 41st Street
Doral, FL 33166

Tampa/Largo
7511 114th Avenue
Largo, FL 33773

Illinois

Crystal Lake
415 South Main Street
Crystal Lake, IL 60014

Deerfield*
1 Baxter Parkway
Deerfield, IL 60015

Lake Forest*
Trustmark
400 North Field Drive
Lake Forest, IL 60045

McGaw Park
1485 Waukegan Road
McGaw Park, IL 60085

Round Lake
Route 120 & Wilson Road
Round Lake, IL 60073

Vernon Hills
400 N. Lakeview Parkway
Vernon Hills, IL 60061

Minnesota

Maple Grove*
Boston Scientific Corporation
2 Scimed Place
Maple Grove, MN 55311

Mississippi

Cleveland
911 N. Davis Avenue
Cleveland, MS 38732

North Carolina

North Cove
67 Pitts Station Road
Marion, NC 28752

Ohio

Dublin*
7000 Cardinal Place
Dublin, OH 43017

Puerto Rico

Aibonito
Road 721 KM 0.3
Aibonito, PR 00705

Anasco
Road 402, North KM 1.4
Anasco, PR 00610

Bianca
Salón de Actividades Bianca
Carretera #2 KM 143.0
Anasco, PR 00610

Carolina
Road 109 KM 0.7
Carolina, PR 00987

Jayuya
Road 144 KM 20.6
Jayuya, PR 00664

Maricao
Road 357 KM 0.8
Maricao, PR 00606

San German
Road 122 KM 0.5
San German, PR 00683

CONTACTING BCU

BCU Main Office

P.O. Box 8133
400 North Lakeview Parkway
Vernon Hills, IL 60061

Member Relations

800-388-7000
847-522-8600
847-522-8749 fax

BART – BCU's 24-Hour Telephone Teller

800-944-8143

Internet Service Center & iTeller

www.BCU.org

E-mail Address

askBCU@BCU.org

Servicios En Español

800-214-5098
www.tuBCU.org
preguntaBCU@BCU.org



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.

*Employee Access Only.

“Thanks A Billion”