

Board of Directors Report

On behalf of the B&V Credit Union (BVCU) Board of Directors, this report is submitted to the membership to summarize BVCU's financial results and operations for 2017, its 63rd year. BVCU continues to function in accordance with its charter and the basic principles on which it was founded. We attribute our success to the commitment of BVCU office team and our volunteer board and committee members, as well as the continued support of our sponsor, Black & Veatch Corporation.

Financial Highlights | The financial highlights discussed below are shown in the financial summaries and charts included at the end of this report.

The interest rate environment in our national economy continued to present challenges to our Credit Union. The Board of Directors focused on increasing our member loans while reducing member deposits. This strategy was set to improve the overall capital position of the Credit Union and positioning us for a continuation of our historic growth trends.

Total assets declined throughout 2017. A decrease in the amount of \$2.7 million was seen, in comparison for the same period for 2016 bringing Total Assets to \$63,977,569 for December 31, 2017. Our members' deposits, made up of Regular Shares, Share Certificates (CDs), and Share Drafts, also saw decreases during 2017 bringing the total to \$56.2 million, a decrease of \$306,000 from the end of 2016.

Investments decreased as well by approximately \$5.2 million during 2017 finishing the year at \$44,767,567. This Investment total is subject to fluctuation as loan demand increases, which is what was experienced throughout 2017. The Investment Committee continues to be challenged to identify sound, safe investments that provide a reasonable rate of return while complying with KDCU requirements and the current FDIC insurance limit of \$250,000 at any one institution.

At the close of 2017, our outstanding loans to members increased to \$18.7 million, an increase of \$3.2 million in total dollars. This increase brings our total loans to assets ratio to 29.2%, a significant increase for 2017. The most substantial increases were seen in our auto lending program, with more emphasis on New Auto's in which increases of \$2 million were noted. Substantial growth was also reflected in the Home Equity lending program showing nearly a \$1 million increase. We believe that with an improving economy our member's outlook on the future have led, and we are in hopes of this trend continuing, to making a wide range of purchases for which we can provide financing in all areas of our lending offerings.

BVCU loan rates continue to be vastly competitive with other lending institutions. As we continue to focus on increasing our lending, the Board of Directors approved two Auto loan promotional offerings during 2017. Both a "Spring Rate" and a "Fall Rate" promotion were put in place during the year with a reduction in rate of .50% across the board on both new and used auto purchases. We are confident these promotions have had significant impacts to member borrowings and will continue to research implementing similar promotions during 2018.

Our total reserves and undivided earnings also increased during 2017. At the close of 2017 this balance sheet item totaled \$7,796,000, an increase of over \$386,000 for the year.

Dividend rates for 2017, were increased during 2nd quarter and remained at the higher rate for the duration of the year. BVCU continues to offer higher rates of return when compared to other financial institutions which continues to attract deposits. With that being said, a somewhat significant change to our members Share Certificates (CDs) was made in December, not only in rates but also in Share Certificate terms. Share Certificate rates were increased in both June and December. Two new Certificate offerings were created in December to give our members more options and flexibility when choosing this type of savings option. The new offerings were to add a 36 and a 48 month certificate. These rates continue to be monitored and are reactive to the state of the economy.

Operations | BVCU continues the quest to become the primary financial institution of each member. During the past 2-3 years, our credit union has worked toward that goal to implement a number of initiatives intended to

enhance services. Moving forward our focus continues to be to refine these services as we are very dedicated on being able to provide the most current and relevant services to our membership.

At the beginning of 2017, the Board of Directors examined the structure of the committees serving BVCU, which have been the Credit Committee along with the Supervisory Committee. During this discussion the functions and responsibilities of each committee were assessed. During that discussion, it was determined that with the building of the skills of our staff to work with members and assess credit worthiness as well as having dialogue directly with members of rates being offered by other financial institutions it was evident the functions of the Credit Committee have diminished. With that in mind the Board of Directors voted to sunset the Credit Committee, as they will provide oversight to the lending decisions made by staff. The Board of Directors would like to acknowledge Richard Bennett and Autrey Johnson for their time and dedication while serving on this Committee.

BVCU current membership for year end 2017 was 4,895, of which 3,363 are residents living in the greater Kansas City metropolitan area. With close to 70% of our membership living locally this is showing the importance of getting our Credit Union information to the Black & Veatch regional offices. Some of the larger offices are Ann Arbor, Michigan, Denver, Colorado and Raleigh, North Carolina. Lois has visited the Ann Arbor office and has a trip scheduled for early spring to visit the Denver office. During that time she will work with the Black & Veatch office staff there to arrange a time to visit with professionals, give out information and open accounts to those interested.

With the primary focus for 2017 being increased membership the Board of Directors have created a team to work on marketing and concepts to increase BVCU membership. Kyle Lucas has agreed to head the team and will work to visit with young professionals to get their feedback on services they are looking for in a financial institution. With this information we hope to improve the services we offer and to attract more members.

Realizing the importance of electronic services, BVCU began offering the Remote Deposit Capture feature during the 2nd quarter of 2017. This features the ability to deposit a check by taking a picture of the check and using your mobile device to process and deposit. This feature works directly with our Share Draft account. We feel this is yet another added benefit and have seen many members using this feature.

The Home Equity lending option BVCU offers to its members is a Variable Rate loan that is tied to the national Prime Rate and can be adjusted twice a year, March 1 and September 1st at a rate of Prime Rate minus .50%. On March 1, 2017 the rate on our Home Equity lending offering increased to those who have Home Equity loans by .50%. This has been the first increase in several years with most member's loans having been at our stated floor rate of 3.00%. An adjustment of .50% went into effect with the September 1st review as well. With the changing economy, we expect this rate to begin moving in the upward direction for the foreseeable future.

Appreciation | The office staff level remained at four, full-time personnel for 2017. On behalf of the credit union's board and committees, I would like to formally acknowledge and thank the credit union office team, Sandy, Lois, Jessica and Kim whose hard work and attention to detail in supporting the needs of our members and the daily operations of the credit union greatly simplifies our jobs. I also thank the board and committee members for the commitment of their time and talent to the ongoing success of BVCU. Finally, I want to recognize and thank Black & Veatch Corporation for their support of our credit union including providing us our office space from which to serve our members.

In closing, although economic conditions continue to challenge the credit union, we are confident that we can respond appropriately and continue to provide a superior level of financial services and products to our members.

2017 Board of Directors

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