

2015 Annual Report



Sheila Joyce Kellerman
Board Chair

Carrie L. Birkhofer
President and CEO

A Note from Our Board Chair & President/CEO

Bay Federal Credit Union had a foundational year in 2015. We expanded membership to include the members of Santa Cruz County Employees Credit Union, introduced an all-new online and mobile banking platform, invested in technology and security infrastructure, and hired more talented, local people to help serve our members' everyday needs. 6,063 members opened checking and savings accounts. Members purchased or refinanced 498 homes and 5,574 automobiles with affordable financing. The Credit Union grew in strength, ending 2015 with strong reserves at 8.58% in net worth, a 10% increase over 2014.

As we look ahead to 2016, our investments in employee and member experience will continue. We will bring forth new technology for our ATMs, adopt enhanced chip security for our debit and credit cards, and expand our online banking services to make it even easier to conduct your business with us, on your schedule.

We are grateful for the commitment of our staff, our dedicated volunteer Board of Directors, and our loyal membership. Your support of Bay Federal, a true financial cooperative, is what allows us to make a real difference in the financial lives of those we serve in our community; yesterday, today and well into the future.

Sincerely,

Carrie L. Birkhofer

Making a Real Difference

In 2015, we served 60,472 members who borrowed \$143 million in home loans and \$112 million in auto loans. Members chose to invest \$150 million with Bay Federal's CFS Investment Services*. 16,633 used online banking and 10,293 mobile banking users found convenience on the go. 87% of members surveyed rated their overall service experience good to excellent. 220 employees served our membership and 100% served our community as volunteers for the 14th consecutive year. We raised over \$68,000 to benefit local non-profits, and provided financial education to 1,881 students and 260 adults.

*Non-deposit investment products and services are offered through CUSO Financial Services, L.P. ("CFS"), a registered broker-dealer (Member FINRA/SIPC) and SEC Registered Investment Advisor. Products offered through CFS: are not NCUA/NCUSIF or otherwise federally insured, are not guarantees or obligations of the credit union, and may involve investment risk including possible loss of principal. Investment Representatives are registered through CFS. Bay Federal Credit Union has contracted with CFS to make non-deposit investment products and services available to credit union members. CFS is located at 10150 Meanly Dr. San Diego, CA 92121.



Making a real difference

Statement of Income

for the year ending December 31, 2015 (unaudited)

INTEREST INCOME

Interest on Loans	\$23,264,651
Interest on Investments	<u>\$2,807,550</u>
Total Interest Income	\$26,072,201

INTEREST EXPENSE

Dividends and Interest	\$654,920
Interest on Borrowed Money	<u>\$1,053,645</u>
Total Interest Expense	\$1,708,565
Net Interest Income	\$24,363,636
Provision for Loan Losses	<u>\$1,569,726</u>
Interest Income Net of Provision	\$22,793,910
Non-Interest Income	\$12,242,412

OPERATING EXPENSES

Compensation and Benefits	\$17,736,846
Operations	\$3,906,907
Occupancy	\$1,452,801
Other Expenses	<u>\$4,982,349</u>
Total Operating Expenses	<u>\$28,078,903</u>
Net Income	<u>\$6,957,419</u>

Statement of Financial Condition

as of December 31, 2015 (unaudited)

ASSETS

Member Loans (net)	\$487,778,250
Cash	\$11,400,092
Investments	\$230,750,787
Land, Building, and Equipment	\$12,271,006
Other	<u>\$14,142,294</u>
Total Assets	<u>\$756,342,429</u>

LIABILITIES, DEPOSITS, AND EQUITY

Notes Payable	\$5,000,000
Other Liabilities	\$11,702,971
Member Deposits	\$675,724,977
Equity	<u>\$63,914,481</u>
Total Liabilities, Deposits, and Equity	<u>\$756,342,429</u>

Supervisory Committee and Treasurer's Report

Bay Federal Credit Union's assets ended 2015 at \$756M. Deposit growth of 9% was primarily in core areas of checking and savings accounts. The Credit Union's main goal is to lend the deposits back out to members in the community. In 2015, the credit union increased mortgage loans by 8% and auto loans by 25%. The Credit Union posted earnings of \$6.9M and continues to be well-capitalized at 8.58%. These positive results were achieved due to close management of operating expenses, and continued improvement in the local economy, resulting in a reduction in the provision for loan losses.

The Supervisory Committee secured the services of Orth, Chakler, Murnane & Co. to perform a certified financial audit of the Credit Union in 2015. The CPAs stated that the financial statements presented fairly the financial position of the Credit Union as of June 30, 2015. The Credit Union continues to be diligent in its focus to improve internal controls and enhance risk management practices. The Credit Union also enlisted industry experts for best practices, and conducted several audits by external experts which pointed to safety and security being adhered to in management's daily practices.

Bay Federal Credit Union is focused on providing exceptional and affordable financial services for the benefit of all its members. Bay Federal will continue to focus on growing profitably, with safety and security in mind for the future of our financial cooperative.



Board of Directors

Sheila J. Kellerman

Board Chair

Dennis Osmer

Board Vice Chair

Jessica Dixon

Secretary

Jim Phillips

Treasurer

Taylor Bateman

Director

Kathleen Lawler Bodmer

Director

Ivonne J. Guzman

Director

Michael Leung

Director

Piret Harmon

Director

Bob Bugalski

Director, Emeritus

H. Duane Smith

Director, Emeritus

Associate Directors

Jordan Ciliberto

Associate Director

Julie Haff

Associate Director

Danny Keith

Associate Director

Supervisory Committee

Patricia J. Pfremmer

Co-Chair

Suzanne Shaug

Co-Chair

Richard Mills

Committee Member

Tami Corum

Committee Member

Executive Team

Carrie L. Birkhofer

President and Chief Executive Officer

Cameron Haste

Executive Vice President and Chief Operations Officer

Tonée Picard

Executive Vice President and Chief Development Officer



Bay Federal
CREDIT UNION

Making a real difference