

2016

Annual Report



Sheila Joyce Kellerman
Board Chair



Carrie L. Birkhofer
President and CEO

A Note from Our Board Chair and President/CEO

In 2016, Bay Federal Credit Union continued its commitment to provide a highly valued member experience. It has been a year of solid membership growth, product enhancements and expansion, and continued investment in infrastructure for our collective future.

The Credit Union continues to have strong capital reserves at 8.54%. We expanded our home loan product line to provide more affordable home financing options. The Credit Union invested in the education and development of our employees to help serve our members' everyday needs. We received recognition from multiple local media as the area's "Best Financial Institution," and garnered a position as one of the 2016 Best Places to Work in the Bay Area.

2017 marks a significant milestone in our organization's history: We are celebrating our 60th anniversary serving the Tri-County area. We have invested in new services, including improved technology at our ATMs, enhanced chip card security for our debit and credit cards, the addition of mobile card manager apps and the long-awaited addition of mobile wallet, including ApplePay, Samsung Pay and more. Continued enhancements of our online and mobile banking services make doing your financial business much easier and more convenient. We invite you to celebrate our 60th year with a host of events throughout the year. After all, we exist because of you!

We are proud and appreciative of our staff, our dedicated volunteer Board of Directors, and our loyal membership. Your active support of our financial cooperative is what allows Bay Federal Credit Union to make a real difference in the financial lives of those we serve in our community.

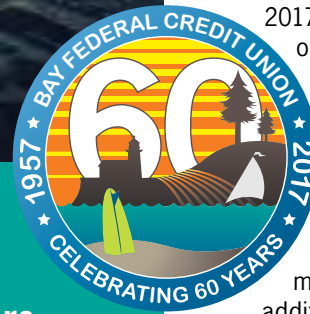
As we begin our 60th year of service, we are grateful for the confidence and trust you have placed in us.

Thank you!

Sincerely,

Sheila Joyce Kellerman, Chairperson

Carrie L. Birkhofer, President and CEO



Credit Union Highlights

In 2016, we provided services for **66,178** members, including **\$127M** for home loans and **\$130M** for auto loans. Members also deposited over **\$85M** in new checking and savings accounts. Members also chose to invest over **\$14M** in new retirement funds with Bay Federal's CFS Investment Services.* **241,528** bills were paid online, and mobile banking adoption increased **82%**. Over **87%** of members surveyed rated their overall service experience to be good to excellent. **212** employees served our membership, and **100%** of our employees served our community as volunteers for the **14th** consecutive year. We raised over **\$67,212** to benefit local non-profits, and provided financial education to **2,435** students and **633** 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. For specific tax advice, please consult a qualified tax professional.

Statement of Income

for the year ending December 31, 2016 (unaudited)

Interest Income

Interest on Loans	\$23,995,404
Interest on Investments	\$3,798,395
Total Interest Income	\$27,793,799

Interest Expense

Dividends and Interest	\$849,292
Interest on Borrowed Money	\$254,489
Total Interest Expense	\$1,103,781
Net Interest Income	\$26,690,018
Provision for Loan Losses	\$481,853
Interest Income Net of Provision	\$26,208,165
Non-Interest Income	\$13,047,888

Operating Expenses

Compensation and Benefits	\$19,642,347
Operations	\$4,573,970
Occupancy	\$1,350,176
Other Expenses	\$5,372,247
Total Operating Expenses	\$30,938,740
Net Income	\$8,317,313

Statement of Financial Condition

as of December 31, 2016 (unaudited)

Assets

Member Loans (net)	\$528,089,266
Cash	\$12,850,122
Investments	\$286,937,451
Land, Building, and Equipment	\$12,636,873
Other	\$16,705,813
Total Assets	\$857,219,524

Liabilities, Deposits, and Equity

Notes Payable	\$10,000,000
Other Liabilities	\$16,349,266
Member Deposits	\$760,848,525
Equity	\$70,021,733
Total Liabilities, Deposits, and Equity	\$857,219,524

Board of Directors

Sheila J. Kellerman

Board Chair

Jim Phillips

Board Vice Chair

Taylor Bateman

Secretary

Jessica Dixon

Treasurer

Kathleen Lawler Bodmer

Director

Jordan Ciliberto

Director

Piret Harmon

Director

Michael Leung

Director

Dennis Osmer

Director

Bob Bugalski

Director, Emeritus

H. Duane Smith

Director, Emeritus

David Scher

Associate Director

Supervisory Committee

Patricia J. Pfremer

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

Supervisory Committee and Treasurer's Report

Bay Federal Credit Union's assets ended 2016 at \$857M. Deposit growth of 13% was primarily in core areas of checking and savings accounts. The Credit Union's main goal is to lend the deposits back into the community. In 2016, the Credit Union increased auto loans by 23% and home loans by 6%. The total earnings achieved were \$8.3M. The organization remains well-capitalized at 8.54%. These positive results were achieved due to close management of operating expenses, an increased focus on product sales, and continued improvement in the local economy. There was also a reduction in the provision for loan losses due to an improvement in delinquent loans.

The Supervisory Committee secured the services of CliftonLarsonAllen to perform a certified financial audit of the Credit Union in 2016. The CPAs stated that the financial statements presented fairly the financial position of the Credit Union as of June 30, 2016. The Credit Union remains diligent in its focus to continually improve internal controls and enhance risk management practices. Further, the Credit Union also conducted additional audits by external experts, which supported the management's practices for safety and security being upheld in its daily work.

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



Bay Federal
CREDIT UNION

Making a real difference