

2017 Annual Report



Bay Federal

CREDIT UNION

Making a real difference

Credit Union Highlights

We celebrated our **60th** year serving members in 2017! Our **69,916** members have **\$641M** in home loans and **\$250M** in auto loans. Members' deposits exceeded **\$838M**. Our CFS* Investment Services team manages over **\$198M** for our members. **247,519** bills were paid online, and mobile banking adoption increased to **19,495** users. Over **91%** of members surveyed rated their overall service experience to be very good or excellent. Our **211** talented and knowledgeable employees served our membership, and **100%** of them donated money or their time in the community for the **15th** consecutive year. We raised over **\$72.5K** to benefit local nonprofits, and provided financial education to **2,499** students and **341** adults. We were honored with recognition from multiple local media as the area's **Best Financial Institution**, received an award as one of the **2017 Best Places to Work** in the Bay Area, and also named one of the **Best Credit Unions to Work for** by the Credit Union Journal.

*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.



Jim Phillips
Board Chair



Carrie L. Birkhofer
President and CEO

A Note from Our Board Chair and President and CEO

In 2017, we celebrated our 60th year! Our Credit Union was assembled by local school teachers in 1957, and it has grown into the strong and resilient organization you see today. We were founded on the philosophy of "people helping people." This guides Bay Federal Credit Union's service and commitment to our members to this day, and will continue to do so for generations to come.

We have pledged to provide a highly valued member experience, and we strive to uphold this commitment to you. This past year, we focused on product enhancements, expansion of home lending solutions, and continued investment in our infrastructure. We expanded our home loan solutions to help more members afford a home. We continue to help members finance cars for reliable transportation, save for a rainy day, and invest for their future. We helped members find freedom from traditional banking with convenient online and mobile banking apps to do banking anytime, anywhere. We invested in staff education, adopted new technologies, and invested in infrastructure to ensure the safety and security of our credit union.

Looking ahead to the coming year, we will continue to expand our products and services to provide even more convenient banking solutions for you. We will remodel our River Street Branch, introduce new lifestyle loans, and further develop our online and mobile banking solutions. We will continue to invest in our employee-centric culture and infrastructure to deliver on our service promise to you.

We are grateful for the confidence and trust that you have placed in us. 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.

Thank you!

Sincerely,

A handwritten signature in black ink that reads "J Phillips".

Jim Phillips, Board Chair

A handwritten signature in black ink that reads "Carrie L. Birkhofer".

Carrie L. Birkhofer, President and CEO

Statement of Income

for the year ending December 31, 2017 (unaudited)

Interest Income

Interest on Loans	\$24,305,215
Interest on Investments	\$5,157,241
Total Interest Income	\$29,462,456

Interest Expense

Dividends and Interest	\$1,305,827
Interest on Borrowed Money	\$75,980
Total Interest Expense	\$1,381,807
Net Interest Income	\$28,080,649
Provision for Loan Losses	\$478,322
Interest Income Net of Provision	\$27,602,327
Non-Interest Income	\$13,141,427

Operating Expenses

Compensation and Benefits	\$20,433,990
Operations	\$4,995,113
Occupancy	\$1,445,201
Other Expenses	\$5,716,311
Total Operating Expenses	\$32,590,615
Net Income	\$8,153,139

Statement of Financial Condition

as of December 31, 2017 (unaudited)

Assets

Member Loans (net)	\$ 563,390,221
Cash	\$ 15,075,676
Investments	\$ 322,644,076
Land, Building, and Equipment	\$ 12,859,854
Other	\$ 21,378,838
Total Assets	\$ 935,348,665

Liabilities, Deposits, and Equity

Other Liabilities	\$17,430,669
Member Deposits	\$838,956,035
Equity	\$78,961,961
Total Liabilities, Deposits, and Equity	\$935,348,665

Board of Directors

Jim Phillips Board Chair	Sheila Joyce Kellerman Director
Taylor Bateman Vice Chair	Michael Leung Director
Jessica Dixon Treasurer	Dennis Osmer Director
Kathleen Lawler Bodmer Secretary	David Scher Associate Director
Jordan Ciliberto Director	Bob Bugalski Director Emeritus
Piret Harmon Director	H. Duane Smith Director Emeritus

Supervisory Committee and Treasurer's Report

Bay Federal Credit Union's assets surpassed \$935M at the end of 2017. Growth in savings and checking account balances led to deposit growth of 10.3%. There was 16.4% growth in auto loans and 8.9% in home loans during the same period. Total earnings surpassed \$8.1 million. The organization remains well-capitalized at 8.70%.

The Supervisory Committee secured the services of CliftonLarsonAllen to perform a certified financial audit of the Credit Union in 2017. The CPAs stated that the financial statements presented fairly the financial position of the Credit Union as of June 30, 2017. The Credit Union remains diligent in improving internal controls and enhancing risk management practices. Additional audits conducted by other external experts further validated management's practices of safety and security being upheld in its practices.

Bay Federal Credit Union's continued focus on safety, security, exceptional service, affordable products, and mutually profitable member relationships ensures a healthy financial cooperative, now and in the future.

