

A Note from Our Board Chair and President and CEO

2019 was a year of growth, expansion, and achievement for Bay Federal Credit Union. We achieved several milestones including our assets reaching \$1 billion in assets and Bauer Financial Group providing us their highest rating, a 5-Star Superior rating, both of which speak to the strength, resiliency, and strong market share Bay Federal has in the communities we serve.

The membership grew to new heights and we continue to serve members with commitment and dedication, with a significant emphasis on the entire member experience, whether you are banking with us in person or online. We switched our Investment Services broker/dealer relationship to LPL Financial, which brought our members expanded investment options, new technology, and more services. In July 2019, we completed our merger with Coast-Tel Federal Credit Union, welcoming our new members acquired in the merger to Bay Federal, and established our presence in Monterey County with a Salinas location. We relocated our Aptos branch to the new Rancho Del Mar Shopping Center. We upgraded our entire ATM fleet, bringing better technology and security for our members. We also received a very special recognition for the unique culture that we have fostered for our 220 local employees. The Credit Union Journal recognized Bay Federal as the nation's #1 "Best Credit Union to Work For!"

We started 2020 in typical fashion by renewing our pledge to deliver a high service experience to you, from which we have never wavered despite the challenges we suddenly faced in March. The coronavirus (COVID-19) pandemic fundamentally shifted our lives and our businesses. In mid-March, our organization quickly responded to shelter-in-place mandates, and immediately enacted emergency loan programs and payment deferrals to assist our membership. We shifted back office employees from in-office work environments to remote work arrangements, expanded our Member Service Call Center, and adjusted our branch service model to ensure the physical health and safety of our employees and members. In this spirit, we delayed our traditional in-person Annual Meeting from March to a digital-only event in August.

Although the pandemic has required us to adjust our business model, we remain steadfast in achieving our 2020 objectives. We are actively working to expand our business services, including new business loan solutions and business credit cards. We regularly update our online and mobile services to offer all of our users an enhanced digital experience, including a smartwatch application, an interactive feed, and the ability to receive important alerts from the credit union. We continue to invest in security infrastructure to ensure that Bay Federal Credit Union remains a safe and trusted financial institution now and in the future.

Our organization reflects the diverse and vibrant communities we serve. Our efforts in employee development, financial education, access to affordable financial services for every member, and volunteerism across a broad range of community services actively demonstrate this commitment. We also understand there is work to be done, and we can be a positive and proactive partner to creating even greater opportunities for all. We will continue to uphold our duty in ensuring social justice, equity, and inclusion for our membership, for our employees, and for our shared community.

All of the success and growth we experienced in 2019, and through this very moment, can be traced to our membership, dedicated volunteers, and our committed team members. As we weather the pandemic, and as we strive to create a community in which diversity, equity, and inclusion are the norm, your continued support is deeply appreciated.

Thank you for the confidence and trust that you have placed in us!

We look forward to serving you as a resilient, inclusive, and thriving credit union long into the future.




Jim Phillips
Board Chair



Carrie L. Birkhofer
President and CEO

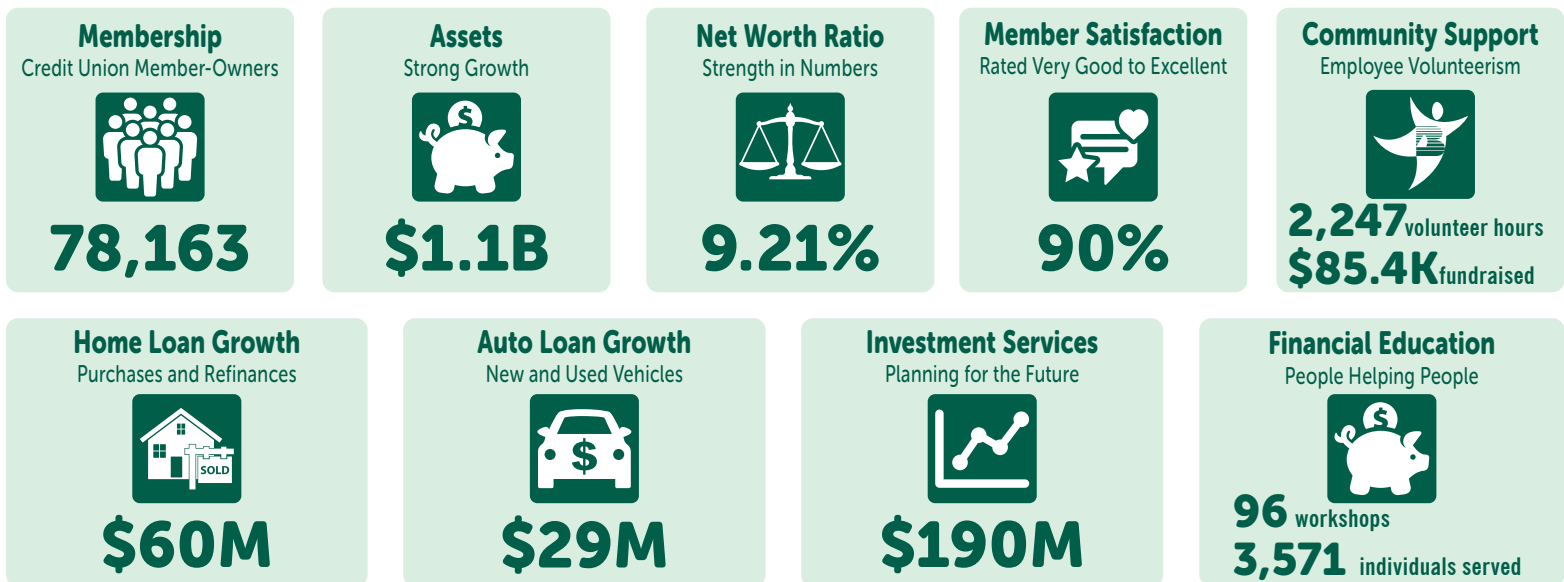


Jim Phillips
Board Chair



Carrie L. Birkhofer
President and CEO

Credit Union Performance



Honors and Awards



Statement of Income

for the year ending December 31, 2019 (unaudited)

Interest Income

Interest on Loans	\$30,724,157
Interest on Investments	\$6,919,762
Total Interest Income	\$37,643,919

Interest Expense

Dividends and Interest	\$2,757,242
Total Interest Expense	\$2,757,242

Net Interest Income

Provision for Loan Losses	\$1,754,082
Net Interest Income Net of Provision	\$33,132,595

Non-Interest Income	\$13,965,814
Income Before Operating Expenses	\$47,098,409

Operating Expenses

Compensation and Benefits	\$23,305,092
Operations	\$6,610,101
Occupancy	\$1,777,142
Other Expenses	\$6,517,696
Total Operating Expenses	\$38,210,031
Net Income	\$8,888,378

Statement of Financial Condition

as of December 31, 2019 (unaudited)

Assets

Member Loans (net)	\$731,727,513
Cash & Investments	\$331,330,203
Land, Building, and Equipment	\$15,646,495
Other	\$24,841,553
Total Assets	1,103,545,764

Liabilities, Deposits, and Equity

Other Liabilities	\$15,262,417
Member Deposits	\$985,811,718
Equity	\$102,471,629
Total Liabilities, Deposits, and Equity	1,103,545,764

Supervisory Committee and Treasurer's Report

Bay Federal Credit Union's assets surpassed \$1 billion at the end of 2019. Growth in savings and checking account balances led to deposit growth of 10.1%. There was 9.6% growth in auto loans and 19.4% in home loans during the same period. Total earnings surpassed \$8.88 million. The organization remains well-capitalized at 9.21%.

The Supervisory Committee secured the services of CliftonLarsonAllen LLP to perform a certified financial audit of the Credit Union in 2019. The CPAs stated that the financial statements presented fairly the financial position of the Credit Union as of June 30, 2019. 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 procedures.

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



Board of Directors

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

Supervisory Committee

Suzanne Shaug Co-Chair	Michelle Berridge Committee Member
Pat Pfremer Co-Chair	Barbara Callahan Associate
Richard Mills 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

