

2023

Annual Report



Bay Federal

CREDIT UNION

Making a real difference

A Note from Our Board Chair and President and CEO

Bay Federal Credit Union continued to fulfill its mission of making a real difference by delivering convenient and affordable financial services to our members in 2023. Membership grew to nearly 89,000 members strong, assets reached \$1.59 billion, and net income was over \$16.2 million, increasing the well-capitalized net worth ratio to 9.37% of assets. Our commitment to serving a diverse membership across Santa Cruz, San Benito, and Monterey Counties and striving to help each member achieve their unique financial goals remains a key factor to our continued growth.

The Credit Union demonstrated strong financial performance throughout the year. In 2023, we invested in our community by lending money to members to support home purchases, vehicle loans, and small businesses. Our low delinquency rates showcase both our members' financial stability and the success of our lending approach.

While membership continued to grow, the deposit mix at the Credit Union moved from traditional savings to higher-rate savings options. Certificates increased by 112%. In addition, Investment Services at Bay Federal Credit Union assets increased by 17%.*

We encourage members to save for the future by making it easier and supporting access to financial wellness resources. We eliminated monthly fees for our Membership Savings Accounts and reimagined our Money Market Advantage account to pay the highest dividends on our member's first \$2,500 on deposit. Financial wellness resources for all ages are available on our website. This includes self-directed learning, webinars, and debt counseling resources, and much more.

We invested in various technology initiatives, including

updates to mobile and online banking and our home loan application process. This enhanced accessibility and convenience for our members while boosting our information security posture.

We are deeply committed to supporting the communities we serve. As a Community Development Financial Institution, the Credit Union received a \$3.7 million Equitable Recovery Grant from the U.S. Treasury to help low to moderate income members with loans to assist in the recovery from the pandemic. We are happy to announce we deployed all of these funds in 2023. The Credit Union's employees volunteered in various local projects and raised over \$53,000 for local charities and community programs, showing our dedication to creating positive change in the community.

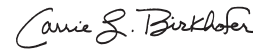
As we have for the past 66 years, we remain committed to consistently delivering innovative solutions and an exceptional service experience. Your financial well-being and satisfaction are at the heart of our efforts. We aim to earn your business every day and be your financial institution of choice. The ultimate compliment is that you proudly encourage your friends and family to join Bay Federal Credit Union. We promise to make a real difference for them, too!

Thank you for your support and membership!

In cooperative spirit,



Taylor Bateman
Chairman of the Board



Carrie Birkhofer
President and CEO



Taylor Bateman
Board Chair



Carrie L. Birkhofer
President and CEO



*Securities and advisory services are offered through LPL Financial (LPL), a registered investment advisor and broker-dealer (member FINRA/SIPC). Insurance products are offered through LPL or its licensed affiliates. Bay Federal Credit Union and Investment Services at Bay Federal Credit Union **are not** registered as a broker-dealer or investment advisor. Registered representatives of LPL offer products and services using Investment Services at Bay Federal Credit Union, and may also be employees of Bay Federal Credit Union. These products and services are being offered through LPL or its affiliates, which are separate entities from, and not affiliates of, Bay Federal Credit Union or Investment Services at Bay Federal Credit Union. Securities and insurance offered through LPL or its affiliates are:

Not Insured by NCUA or Any Other Government Agency	Not Credit Union Guaranteed	Not Credit Union Deposits or Obligations	May Lose Value
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Your Credit Union ("Financial Institution") provides referrals to financial professionals of LPL Financial LLC ("LPL") pursuant to an agreement that allows LPL to pay the Financial Institution for these referrals. This creates an incentive for the Financial Institution to make these referrals, resulting in a conflict of interest. The Financial Institution is not a current client of LPL for advisory services. Please visit <https://www.lpl.com/disclosures/is-lpl-relationship-disclosure.html> for more detailed information.



Supervisory Committee and Treasurer's Report

Bay Federal Credit Union ended the fiscal year with \$1.59 billion in assets. Membership grew by 3%. Deposit balances decreased 3%. Financial Services at Bay Federal Credit Union assets increased by 17%.* Total loans increased 3.36%. Net income surpassed \$16.2 million. The Credit Union remains well capitalized at 9.37%.

The Supervisory Committee secured the services of Nearman, Maynard, Vallez, CPAs to perform a certified financial audit of the Credit Union for 2023. The CPAs stated the financial statements presented fairly, in all material aspects, the financial position of the Credit Union as of December 31, 2023. The CPAs also stated that the

results of Credit Union operations and its cash flows are in conformity with generally accepted accounting principles of the United States. Other professional audits validated that the Credit Union maintains strong internal controls, protecting members' data. The continual testing and improvement of internal controls and risk management practices are demonstrated consistently.

Bay Federal Credit Union upholds strong measures to ensure the safety, security, and financial soundness of the organization.

Credit Union Performance for 2023



Membership
Credit Union Member-Owners

88,772



Member Satisfaction
Rated Very Good or Excellent

72.79%



Investment Services
at Bay Federal Credit Union
Planning for the Future

\$259M
Managed Assets**



Assets
Strong Growth

\$1.59B



Home Loans Funded
Fixed Mortgages, Mobile Homes

250 (\$88.7M)



Community Support
Employee Volunteerism

\$53,002
Fundraised



Net Worth Ratio
Strength in Numbers

9.37%



Vehicle Loans Funded
Autos, Motorcycles, RVs

5,068 (\$156.9M)



Business Loans
Local Growth

17 (\$1.2M)

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**The Financial Advisors with Investment Services at Bay Federal Credit Union collectively serve more than 1,000 accounts with over \$259 million in brokerage and advisory assets as of 12/31/23 through LPL Financial.

Statement of Income

for the year ending December 31, 2023

Interest Income

Interest on Loans	\$46,565,315
Interest on Investments	\$7,669,984
Total Interest Income	\$54,235,299

Interest Expense

Dividends and Interest	\$9,439,252
Total Interest Expense	\$9,439,252

Net Interest Income \$44,796,047

Provision for Loan Losses	\$2,186,432
Net Interest Income Net of Provision	\$42,609,615

Non-Interest Income \$20,123,871

Income Before Operating Expenses \$62,733,486

Operating Expenses

Compensation and Benefits	\$29,619,960
Operations	\$7,381,392
Occupancy	\$1,682,870
Other Expenses	\$7,819,265
Total Operating Expenses	\$46,503,487

Net Income \$16,229,999

Statement of Financial Condition

as of December 31, 2023

Assets

Member Loans	\$1,078,882,731
Cash & Investments	\$464,571,998
Land, Building, and Equipment	\$8,866,491
Other	\$38,250,808
Total Assets	\$1,590,572,029

Liabilities, Deposits, and Equity

Other Liabilities	\$25,131,552
Member Deposits	\$1,443,423,764
Equity	\$122,016,713
Total Liabilities, Deposits, and Equity	\$1,590,572,029





Creating Thriving Communities

Bay Federal helps play a pivotal role in fostering thriving, resilient communities. The focus of our business model is to provide a place for the community to save money and lend it back out to friends, neighbors and other community members. By keeping money local, it increases economic growth and opportunity of the region. We further our mission by championing initiatives that address pressing local issues, such as affordable housing, small business development, and environmental sustainability. By partnering with community leaders and organizations, we leverage their resources and expertise to effect positive change and create lasting benefits.

In 2023, Bay Federal Credit Union received \$3.7 million from the U.S. Department of the Treasury Community Development Financial Institutions Fund (CDFI Fund) through their Equitable Recovery Program (ERP). This grant funding enabled Bay Federal to offer loans, specifically to members in low to moderate income neighborhoods. Bay Federal partnered with Habitat for Humanity to support their efforts in helping low-income families become homeowners. We worked alongside other volunteers on home construction, engaged our realtor partners on fundraising efforts, and have provided home loan financing for several of the homes at below market rates.

We developed new business loan options to support the dynamic needs of our small business members that are convenient and affordable, ensuring that they can reinvest in growing their local businesses. Bay Federal supported environmental sustainability by achieving Green Business Certifications for our branch locations and encouraging members to enroll in eStatements with incentives donated to the Monterey Bay National Marine Sanctuary Foundation.

Bay Federal team members actively support non-profit organizations throughout the areas in which they live and work. Our award-winning volunteer program provides meaningful opportunities for our employees and their family members to provide valuable volunteer services, monetary donations, and fundraising to support essential services. Our Management team members voluntarily serve on Boards of Directors for non-profit organizations, business councils, and Chambers of Commerce, among others.

Bay Federal Credit Union is truly making a real difference in the communities we serve through these efforts. By choosing to do your banking with Bay Federal, you are investing and contributing to a thriving community!





Board of Directors

Taylor Bateman
Chairperson

Piret Harmon
Vice Chairperson

Jessica Dixon
Treasurer

Jordan Ciliberto
Secretary

Kathleen Lawler Bodmer
Director

Sheila Joyce Kellerman
Director

Michael Leung
Director

Dennis Osmer
Director

Jim Phillips
Director

Keisha Browder
Associate Director

Brett Karleen
Associate Director

ileana Ortega Brunetti
Associate Director

H. Duane Smith
Director Emeritus

Supervisory Committee

Michelle Berridge
Chairperson

Pat Pfremmer
Committee Member

Suzanne Shaug
Committee Member

Barbara Callahan
Committee Member

Richard Mills
Committee Member

Guillermo Cervantes
Associate Member

Shawfeng Dong
Associate Member

Executive Team

Carrie L. Birkhofer
President and Chief Executive Officer

Cameron Haste
Executive Vice President and Chief Operations Officer



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