



LIBERTY BAY
CREDIT UNION

Putting other people first is a reflection of who we are.

2 0 1 9 A N N U A L R E P O R T

Our mission

To be a responsible and relevant financial partner to our members, employees, and the community

Our specialties

- Savings and Deposits
- Consumer Lending
- Home Financing
- Business Banking

Who we serve

- Individuals who live, work, or attend school and businesses that operate in eastern and central Massachusetts
- Businesses and employees in the communications technology industry

2019 was an exciting year that showcased how our purpose of advancing the financial interests of working men and women and their families is directly connected to fulfilling our vision, which is to drive growth for the membership and invest back in product offerings and technology in order to become the leading credit union regionally.

2019

AT A GLANCE

Financial Education Award

Desjardins Adult Financial Education Award presented by the Cooperative Credit Union Association (CCUA)



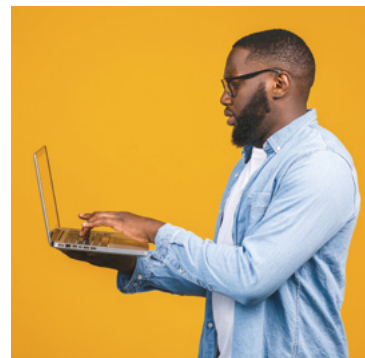
New Leadership

Lyndon (Lyn) Matteson was named President & Chief Executive Officer in 2019, succeeding Edward Lopes upon his retirement



Member Survey

feedback yielded from over 1,200 members was overwhelmingly positive, with 86% of respondents stating they are satisfied with the support they receive



Uncommon Courtesy

our new brand platform was unveiled, capturing the essence of what makes us unique

Member Appreciation Day

more than 600 members visited our branches to celebrate Member Appreciation Day with Liberty Bay staff



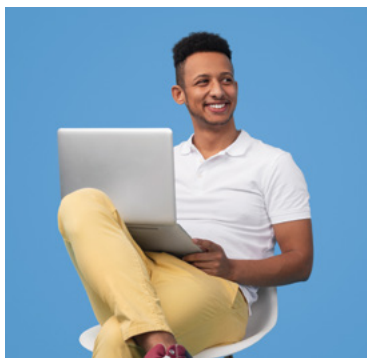
\$15 MILLION

in deposit growth in 2019



\$11,500

in scholarship money was awarded by LBCU in 2019 to area students who plan on furthering their education



FA\$Ttrack

our free online financial education program was honored by Cooperative Credit Union Association (CCUA) and received the Credit Union Heroes Award from American Business Media

A MESSAGE FROM the Chair of the Board



"WE IDENTIFIED THAT [THE CREDIT UNION'S] VALUE TO THE MEMBERSHIP IS IN THE "UNCOMMON COURTESY" THAT OUR STAFF PROVIDES TO OUR MEMBERS AND COMMUNITIES. THIS CONCEPT UNDERSCORES THE CULTURE OF THE ORGANIZATION AND GUIDES LIBERTY BAY IN ITS DAILY INTERACTIONS WITH OUR MEMBERSHIP."

The Board of Directors and I are pleased to share with you Liberty Bay Credit Union's 2019 Annual Report. The past year, marking our 103rd anniversary, marked a critical point in the Credit Union's history, as we bid farewell to Ed Lopes, President and CEO for the past seven years, and welcomed Lyn Matteson into that role, ushering in a focus on member experience, growth and earnings.

A successful leadership transition depends on a number of considerations. We conducted a nation-wide search to find the right person to take the helm. The Board Members were impressed by Lyn's career experience, his creative ideas to grow the credit union and his outgoing and highly enthusiastic personality. Ed Lopes designed a well-conceived and methodical transition approach to ensure that Lyn was provided sufficient opportunity to come up to speed on the inner workings of Liberty Bay and engage with the staff. The transition plan also allowed Ed to introduce Lyn to key community leaders, partners, and vendors.

Times of transition can result in reflection and change. The credit union took a hard look at its brand in the marketplace and, through member feedback – gathered in focus groups, interviews and surveys, identified that its true value to the membership is in the "Uncommon Courtesy" that our staff provides to our members and communities. This concept underscores the culture of the organization and guides Liberty Bay in its daily interactions with our membership.

There have also been a number of changes to the structure of the leadership team at Liberty Bay, as well as a shift to quantitative assessment of the performance of the credit union. The Board of Directors supports these changes, and has tasked Lyn to focus on growth and earnings. Lyn and his leadership team have taken a deliberate approach to assessing the cost-benefit of new initiatives and tailoring pricing and product development to reduce risk, where appropriate. Providing additional products and services tailored to member businesses, such as Affinity revenue sharing and Penny Mortgage, will attract new members and increase earnings, which will enable Liberty Bay to target uncommonly courteous ways to serve its members and communities into the future. Deposit growth of \$15 million in 2019 is a tremendous first step on this path.

In closing, on behalf of the Board of Directors, I'd like to thank Ed Lopes for his service and for the transition support he provided to Lyn. We wish Lyn well in his new role, and thank all of our employees, members and community partners for all that they do to support Liberty Bay.

Sincerely,

A handwritten signature in black ink that reads "Edward R. Foley". The signature is fluid and cursive.

Edward R. Foley
Chairman of the Board

A MESSAGE FROM the President & CEO

When I joined Liberty Bay Credit Union in January 2019, one of the first things I noticed is the distinct difference between banks and credit unions. I was overwhelmed by how friendly everyone was that I encountered, whether it was members, employees, or the Board of Directors. It felt very much like everyone was pulling in the same direction with the goal of meeting, or exceeding, the needs of our membership and community. When our member and employee feedback resulted in the concept of "Uncommon Courtesy," I knew instantly that this represented what I'd observed transitioning to Liberty Bay.

In 2019 we undertook several steps to further support our Uncommon Courtesy promise. We created a Vice President, Member Experience position to enable us to look at our practices and procedures across the organization to identify opportunities to remove obstacles and improve the member experience. We conducted a survey in the fall to establish a baseline against which we can measure ourselves going forward. It was extremely gratifying to see that our members are, for the most part, raving fans, like those whom we met in the branches on Member Appreciation Day. And it is the charge of every employee to ensure that this continues to be the case.

At the outset of my time here I learned about issues impacting member satisfaction, some of which we are still working to achieve, and which were highlighted in the survey results. The long-awaited drive-up replacement in Braintree was completed in February. Members commented on how much they enjoy being able to access ATM and teller transactions from the convenience of their cars. We have; however, not been as successful in finding a solution to our exit from Boston. Unfortunately, the economics of branches are no longer as favorable as they were in the pre-internet era, especially given Boston rental rates. The management team believes that our number one commitment to our owners, the members, is to be fiscally prudent in all of our endeavors. We continue to think creatively about how we can serve our members' needs without a full-scale branch operation in downtown Boston.

The management team at Liberty Bay has changed since Ed Lopes' retirement in September. I am grateful to be working with a strong team of executives, who work closely with me to set the strategy for the organization, as well as to make pricing and product decisions. These decisions, which have included some curtailment of unsecured lending, including Student Loans, have been made in response to negative trends in the economy and as a way of reducing losses. Liberty Bay has a proud 103-year legacy, which the management team and I want to see last long into the future. Simultaneously, we have embarked on efforts to expand our offerings to member businesses to attract new membership. We have picked up the charge from the Board to seek growth and earnings — not for earnings' sake, but to enhance our ability to do more for you, our membership. The enclosed financials only begin to demonstrate how these decisions will impact our key metrics over time. Growth in deposits, reductions in expenses and enhancing products will help us better serve all of you in the future.

I am grateful to have been entrusted to lead the next phase of this fantastic organization's future, and to have inherited such a strong company with such a stellar set of employees, members and directors. Thank you for being a part of the Liberty Bay Credit Union family.

Sincerely,



M. Lyndon Matteson

President & Chief Executive Officer



"I AM GRATEFUL TO HAVE BEEN ENTRUSTED TO LEAD THE NEXT PHASE OF THIS FANTASTIC ORGANIZATION'S FUTURE, AND TO HAVE INHERITED SUCH A STRONG COMPANY WITH SUCH A STELLAR SET OF EMPLOYEES, MEMBERS AND DIRECTORS. THANK YOU FOR BEING A PART OF THE LIBERTY BAY CREDIT UNION FAMILY."

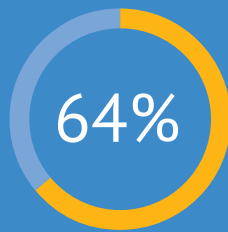
Uncommon Courtesy

At a time when courtesy isn't all that common, Liberty Bay Credit Union goes above and beyond for our members. We are committed to the communities we serve from volunteering to simply getting to know you by name. It's also important to us to provide members with services that make life easier, like offering convenient technology and financial education.

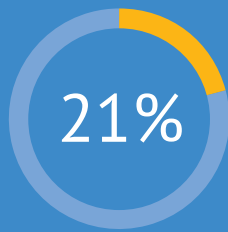
Plenty of companies are trying to get by with doing less, but we know customers deserve more. While others see doing the right thing as a nice touch, we view it as an obligation. It's just how we do business.

In 2019 we were excited to unveil a new tagline that sums up who we are. To get there, we asked who else? But our members. In a series of focus groups, we heard that our employees are the difference, that personal service matters and that loyalty goes a long way. Simply put, we heard that Liberty Bay Credit Union is home to **Uncommon Courtesy**.

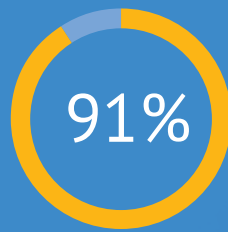
OUR TARGET AUDIENCE VALUES SERVICE AND MANNERS



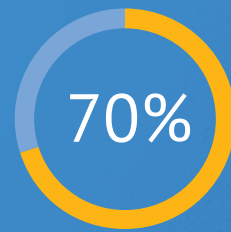
When it comes to purchases, 64% of consumers find customer experience to be more important than price.



Millennials are willing to spend an additional 21% for great customer care.



91% of young people say civility, manners, and etiquette are either very important or important.



But 70% of young people feel society, as a whole, displays more bad manners than good manners.

Sources: American Express 2017 Customer Service Barometer, Gartner, www.stageoflife.com/StageHighSchool/TeensandCivility.aspx

OUR UNCOMMON COURTESY MANIFESTO

We stand for small gestures. For holding doors for others. And smiling at strangers.

We believe in not-so-random acts of kindness. And a daily dose of doing good.

We hail helpful hands and fight for friendliness. We believe in better banking relationships.

In making personal loans more personal. And home mortgages more manageable.

We believe in providing financial education for all, and an enhanced member experience.

We believe financial peace of mind leads to better lives. And better lives lead to better communities.

We are Liberty Bay Credit Union. And we believe in uncommon courtesy.



We know our members and our members know us.

While other corners of the world might feel cold and unwelcoming, at Liberty Bay Credit Union, a smile and a greeting by name can make a difference. We care about our members and they care about us.

David Washington
Hoping to Retire by 58

Susan Pearl
Retirement Planning Whiz

“The staff in the Braintree office are extremely knowledgeable, friendly, and always very helpful. It is a pleasure to go into that branch office and know that the staff know my name and always greet me with a smile.”



“Denise in Hingham is AWESOME!!!”

HERE'S SOME OF WHAT OUR MEMBERS SAID IN OUR RECENT CUSTOMER SURVEY.

“Kelly at the Woburn Branch is amazing.”



“I've been a member since the credit union opened in North Scituate; we've had exceptional service (especially from Jill Otis, who's been with the credit union from day one); we're just very happy being members.”

OUR EMPLOYEES MAKE THE DIFFERENCE

Aside from heartwarming call-outs by name, our members explained why it's all about our employees.

THEY ARE **loyal.**

THEY ARE **committed.**


THEY **know** OUR MEMBERS.

THEY ARE **flexible.**

THEY PUT MEMBERS **first.**

THEY ARE **dedicated.**

By the people, FOR THE PEOPLE



As a nonprofit organization, members are the only shareholders we answer to. Our operations are driven by a dedication to improving members' lives, one day at a time. Our profits are invested back into the credit union in the form of better rates and best-in-class digital banking technologies, and our employees are dedicated to creating the best possible member experience every time.

Christine Mason
Current MBA candidate, Future CTO

Liberty Bay Credit Union was established in 1917 and as of December of 2019, it had grown to **89 employees** and **27,506 members** at **4 locations**.

BRAINTREE | HINGHAM | SCITUATE | WOBURN



Community MATTERS



Through volunteering, partnering with local non-profits, developing financial education programs, and providing financial support for causes that impact our communities, our Community Matters team strives to strengthen the communities our members and employees call home. Liberty Bay Credit Union is committed to the communities we serve, and we are proud of our Community Matters team's mission to encourage giving, inspire volunteerism, and to provide the tools for our employees to come together for a cause.



The Community Matters team strives to help nonprofits with our time and donations. We proudly support local organizations that align with our three pillars of stewardship: **Educate, Empower, Enrich.**

NEW LOGO, SAME MISSION.

While the Community Matters team will continue their important outreach, they'll now work under a new banner. Our new logo symbolizes their mission to uplift and enrich our communities.



INTRODUCING VTO

We've made it easier for our employees to get involved with Volunteer Time Off (VTO). We now provide PTO under a new category, known as VTO, to reimburse employees who volunteer at LBCU-sponsored events during non-working hours. Employees can earn 15 hours of VTO per year and are eligible to carry it over year to year.



Financial Highlights

BALANCE SHEETS

Years Ended December 31,
(IN THOUSANDS)

	2019	2018
ASSETS		
Cash & Cash Due from Banks	\$ 29,995	\$ 17,674
Investments	160,490	150,167
Loans, Gross	454,487	477,998
Less: Allowance for Loan Losses	(2,635)	(2,415)
Loans, Net of Allowance for Loan Losses	451,852	475,583
Other Assets	27,527	23,981
TOTAL ASSETS	\$ 669,864	\$ 667,405
LIABILITIES		
Member Shares	\$ 322,967	\$ 313,775
Member Term Shares	158,969	152,626
Borrowings	81,000	99,000
Other Liabilities	4,454	3,890
Total Liabilities	567,390	569,291
EQUITY		
Regular Reserves	12,891	12,891
Undivided Earnings	89,917	88,858
Accumulated Other		
Comprehensive Loss	(334)	(3,635)
Total Equity	102,474	98,114
TOTAL LIABILITIES & EQUITY	\$ 669,864	\$ 667,405

STATEMENTS OF INCOME & EXPENSES

Years Ended December 31,
(IN THOUSANDS)

	2019	2018
Interest Income on Loans	\$ 20,048	\$ 18,338
Interest Income on Investments	3,757	3,675
Total Interest Income	23,805	22,013
Dividends on Shares	3,182	2,233
Interest on Borrowings	2,190	2,154
Total Interest Expense	5,372	4,387
Net Interest Income	18,433	17,626
Provision for Loan Losses	954	724
Net Interest Income, after Provision	17,479	16,902
Fee Income	1,399	1,204
Other Operating Income	2,403	2,087
Net Gain (Loss) on Sales of Assets	490	(109)
Net Loss on Repossessed Assets	(25)	(10)
Total Non-interest Income	4,267	3,172
Employee Compensation	11,434	10,191
Office Occupancy & Operations	4,636	4,850
Professional & Outside Services	2,017	1,824
All Other Operating	2,600	2,340
Total Non-interest Expense	20,687	19,205
NET INCOME	\$ 1,059	\$ 869

Unaudited interim financial statements for the twelve months ended December 31, 2019 and December 31, 2018.



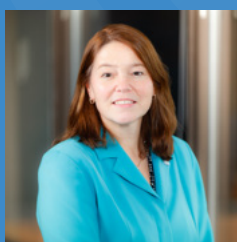
LEADERSHIP



Lyn Matteson
*President &
Chief Executive Officer*



John Parillo
*Senior Executive Vice President
& Chief Operating Officer*



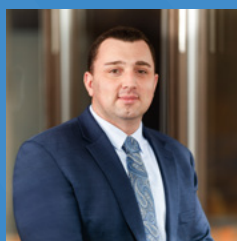
Kathy Peila
*Senior Vice President,
Chief Administration Officer*



George Kelly
*Senior Vice President,
Chief Strategy Officer*



Fred Williams
*Senior Vice President,
Chief Financial Officer*



Paul Gravellese
*Senior Vice President,
Senior Lending Officer*

BOARD OF DIRECTORS

Edward R. Foley
Chairman of the Board

Edward McColgan
Vice Chairman

Peter S. Lincoln
Second Vice Chairman

Gerard L. Burn
Treasurer

Robert B. Foley, Jr.
Chairman of Audit Committee

Thomas J. Flynn
Chairman of Investment Committee

Gerard L. Burn
Chairman of Credit Committee

Dennis Siracusa
Clerk

E. Decker Adams
Director

Winifred Bolter
Director

Sean Cashman
Director

Patrick J. Foley
Director

Stephen Kelley
Director

Eugene Leahy
Director

Michael F. McCarthy
Director

Robert Mitchell
Director

William Murphy
Director



LIBERTY BAY
CREDIT UNION

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 EQUAL HOUSING MEMBER MEMBER
LENDER SIF FDIC