



**2016** ANNUAL REPORT





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## Report from the Chairperson and CEO



Ronald Seaman  
Chairperson



David Roughton  
President/CEO

**Since 1940, our mission has remained steadfast** — to provide our members exceptional service, to deliver the best solutions available, and to ensure a financially sound credit union, all while actively working to help SAFE Credit Union members improve their lifelong financial well-being.

As you read through this year's annual report, it will be increasingly apparent that 2016 was an extraordinary year for SAFE. We grew by \$221 million, reaching \$2.5 billion in total assets. This was a tremendous milestone for SAFE and we believe that this success directly reflects the strength and confidence that our members and communities have in our ability to live up to our mission.

As leadership, we often like to remind ourselves that credit unions were founded on the principle of people helping people, so we'd like to take a moment to put into context how our successes, and the resulting opportunities, supported this founding principle in 2016.

Last year, despite an increasing number of consumer and business banking options, our diverse membership flourished. More than 32,000 new members joined SAFE, resulting in an impressive 8 percent net growth. Now, we proudly serve more than 206,000 members across the Greater Sacramento region. Additionally, SAFE was honored to be selected by KeyPoint Credit Union, a highly respected financial institution with deep Bay Area ties, to offer better convenience and service support for their 1,400 Sacramento-based members' needs.

For the first time in our 76-year history, SAFE was privileged to loan our members more than \$1 billion in a single year. Real estate lending in 2016 reached the historic level of \$534 million. By funding nearly 2,000 real estate loans, SAFE helped a record number of members purchase, improve, and refinance their homes to realize their homeownership

dream or reduce their monthly housing expenses. SAFE also launched a new member service, HomeAdvantage®, which simplifies the process of buying or selling a home while saving our members both time and money.

SAFE members also chose to take advantage of the low-rate environment to purchase a new car or refinance an existing auto loan with SAFE, which drove vehicle lending to a record \$419 million. In 2016, our credit union helped more members than ever before drive away in a new SUV or minivan for their growing family, a new fuel-efficient car for their daily commute, or a new business vehicle purchased to support their business' changing needs.

Additionally, SAFE members benefited from our lower-rate credit cards, transferring higher-rate balances from other financial institutions to improve their cash flow. Capitalizing on everyday purchases, our members collectively earned an astonishing 22 million reward points toward travel and merchandise, which roughly equates to 700 roundtrip airline tickets to Miami or nearly 1,000 LED TVs. And, this all occurred while SAFE continued to find new ways to protect our members' personal data, including a complete rollout of EMV technology across all of our payment cards. In 2016, our efforts to protect our members prevented a total of \$9.8 million in fraudulent transactions.

Demonstrating that regional business owners are looking for alternatives to "big banks," SAFE Business Banking membership grew by 9 percent in 2016, plus we funded an impressive \$48 million in member business loans. We often say that we're big believers in small business, and, once again, we doubled down on that statement by financing commercial buildings, providing working capital, and delivering affordable products and services to growing businesses across our region.

Our Business Banking experts understand that small business development is the engine that creates jobs and helps the Greater Sacramento region grow. To further support our business members, SAFE fostered a new relationship with PayChex® to provide an affordable, full-service option for outsourcing payroll and HR services, so entrepreneurs can continue focusing on their business passions while supporting their bottom line. All this resulted in some extraordinary accolades in 2016, including being ranked within the top Small Business Administration (SBA) lenders in units across our region, the No. 1 credit

“...2016 was an extraordinary year for SAFE.”

union for business lending in the Sacramento area, and No. 1 SBA lender by units across all credit unions in California.

SAFE Financial Services (SFS)\* also grew considerably during 2016, increasing its invested assets under management by \$42 million to total more than \$360 million in advisory and brokerage assets through LPL Financial. For those who are not familiar, SFS offers members access to mutual funds, annuities, and other investment opportunities to help meet lifelong financial goals. Further, SFS provides ongoing training, specialized seminars, and business-to-business workshops to meet a multitude of audiences' wealth management needs. We are proud to say our representatives are equipped to give members sound, up-to-date professional wealth management advice.

SAFE also made significant investments to enhance our consumer member services in 2016. For example, we expanded our mobile payment and digital wallet services to include Android Pay™, Samsung Pay™, and Visa Checkout — allowing more members to make purchases securely, easily, and privately in millions of stores, within popular apps, and online. Further, we expanded member service and functionality within our Online Banking platform, providing new ways for members to manage their money anytime, anywhere.

Through SAFE Online Banking, members can now tailor and manage their SAFE Visa® Debit and Credit Card usage alerts with a new Visa Alert system, transfer money online (in real-time) to any other SAFE member account, and make payments on their consumer loans from their accounts at other financial institutions. We also enhanced the security of our mobile app to support Touch ID fingerprint biometrics, as well as increased the speed, reliability, and security of our entire network — all while reducing costs.

All of these accomplishments represent our commitment to provide our members the best-in-class products and

service solutions that help them fully enjoy life, but our dedication goes beyond everyday banking. We believe that through credit union advocacy, philanthropic endeavors, and employee volunteerism, SAFE has the ability to strengthen the very fabric of our community. In 2016 alone, SAFE hosted 202 free financial workshops across the region, reaching more than 5,200 participants at events, as guests of local businesses, and at workshops scheduled within our financial education training centers. Our team, from board members to branch staff, volunteered more than 9,800 hours serving on boards or chambers, working with high school students, planting trees, running for cures, packing and serving meals for those in need, and encouraging others to support local organizations that make a direct and positive impact. Further, SAFE contributed over \$300,000 to local organizations and programs that support the community, especially those programs focused on education, healthcare, and veterans affairs. Within this annual report, we've included a list of some of the amazing organizations that SAFE supported in 2016 to help build a stronger and brighter future for our region.

As we mentioned in our opening message, 2016 was an extraordinary year for our credit union. We've celebrated incredible achievement, surpassed many of our financial goals, and enjoyed a year of impressive growth. Membership continues to grow and thrive — helping to influence the direction of our organization for years to come. SAFE remains positioned for great years ahead and we are very enthusiastic about our credit union's future.

On behalf of the entire leadership team, we thank you — our membership — for your continued patronage and support.



Ronald Seaman  
Chairperson



David Roughton  
President/CEO

\*LPL Financial Advisors are registered with and securities and advisory services offered through LPL Financial, a Registered Investment Advisor, Member FINRA/SIPC. Insurance products offered through LPL Financial or its licensed affiliates.

Not NCUA Insured

No Credit Union Guarantee

May Lose Value

## Report from the Treasurer



Kathern Gaskins  
Treasurer

As made clear in our Report from the Chairperson and CEO, 2016 was a fantastic year for SAFE. Our entire team is proud of the goals that were realized and the milestones reached throughout the year, which bolstered our financial results.

We are thrilled to report that SAFE grew by \$221 million — or 10 percent — to a total of \$2.5 billion in assets, driven by significant

member and deposit growth. Total membership grew by 8 percent, to more than 206,000 members, while share deposits increased by 10 percent, both signs of the continued confidence our members have in SAFE, and an acknowledgment of the value and exceptional experiences we strive to deliver each and every day.

Contributing to the member and deposit growth in 2016, SAFE welcomed approximately 1,400 new members and \$34 million in deposits in November as part of a deposit portfolio acquisition of the Folsom branch of KeyPoint Credit Union. To our new KeyPoint members reading their first SAFE annual report, please know that we're delighted to have you and hope you fully embrace your SAFE membership, as we're diligently working to make this new relationship as rewarding for you as possible.

We are also pleased to report that SAFE helped more members finance homes, vehicles, and businesses than ever before. This surge was supported by consumer demand and historically low interest rates, which led to the origination of more than 26,000 new loans. Those loans totaled a record \$1.2 billion, representing a 40 percent year-over-year increase and driving an amazing 25 percent increase in our loan portfolio, to an impressive \$1.79 billion.

Our record-breaking loan origination stats, coupled with an impressive 47 million debit, credit, and Automated Clearing House (ACH) transactions, helped

fuel 11 percent revenue growth and ultimately resulted in \$11.5 million in net income — a 23 percent increase over 2015. As a result, SAFE ended the year with \$229 million in capital and a healthy 9.13 percent capital ratio.

As we're all aware, 2016 marks eight straight years of record low interest rates across the U.S. Low interest rates for extended periods of time lead to margin compression for most financial institutions, including SAFE. Will we start to see meaningful increases in interest rates in 2017? That is a difficult question to answer as it is impossible to truly predict both the direction and timing of interest rate movements simultaneously. While borrowers have prospered greatly from uncharacteristically low loan rates for the majority of a decade, savers have not. But even in this low interest rate environment, SAFE paid \$6.7 million, or roughly 6 percent of revenues, in dividends to its membership during 2016. Higher interest rates in 2017, though still likely to be modest by historical standards, will help bring parity for both borrowers and savers alike.

### Charging Ahead

Two of our ongoing financial objectives include driving efficiency across the organization as we grow, all while ensuring a financially sound credit union. Becoming more efficient allows SAFE to direct capital and resources into areas such as product and service innovation, exceptional experiences, and professional experts, all of which benefit our members. Strong internal controls, achieving established financial goals, and exercising sensible and prudent financial judgment help to ensure the continuance of a financially sound credit union for you, our member-owners.

As always, we thank you for your membership and your trust, as well as making SAFE your preferred financial institution. We look forward to serving you in 2017 and beyond.

# SAFE Credit Union

## Statements of Financial Condition

DECEMBER 31, 2016 AND 2015

(Dollar amounts in thousands)

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	\$ 140,397	\$ 149,831
Investments:		
Available-for-sale	380,174	492,851
Other	10,463	9,740
Loans held for sale	5,841	5,559
Loans, net of allowance \$16,519 and \$16,162 as of December 31, 2016 and 2015, respectively	1,788,044	1,432,194
Accrued interest receivable	5,213	5,577
Property and equipment, net	52,488	54,618
Share insurance deposits	21,145	19,470
Goodwill	13,282	13,282
Other intangible assets	974	196
Other assets	<u>84,636</u>	<u>98,774</u>
 Total assets	 <u>\$ 2,502,657</u>	 <u>\$ 2,282,092</u>
 <b>LIABILITIES AND MEMBERS' EQUITY</b>		
Liabilities		
Members' shares	\$ 2,222,510	\$ 2,024,072
Public unit shares	25,020	25,004
Accrued expenses and other liabilities	<u>25,960</u>	<u>15,756</u>
 Total liabilities	 <u>2,273,490</u>	 <u>2,064,832</u>
Commitments and contingent liabilities		
Members' equity		
Retained earnings, restricted	228,526	216,985
Accumulated other comprehensive income	<u>641</u>	<u>275</u>
 Total members' equity	 <u>229,167</u>	 <u>217,260</u>
 Total liabilities and members' equity	 <u>\$ 2,502,657</u>	 <u>\$ 2,282,092</u>

# SAFE Credit Union

## Statements of Net Income and Comprehensive Income

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(Dollar amounts in thousands)

	<u>2016</u>	<u>2015</u>
Interest income:		
Interest on loans	\$ 57,924	\$ 51,625
Interest on investments and cash equivalents	<u>8,538</u>	<u>9,518</u>
	<u>66,462</u>	<u>61,143</u>
Interest expense:		
Dividends on members' and public unit shares	6,774	6,083
Interest expense on borrowed and escrowed funds	<u>281</u>	<u>146</u>
	<u>7,055</u>	<u>6,229</u>
Net interest income	59,407	54,914
Provision for loan losses	<u>5,885</u>	<u>4,297</u>
Net interest income after provision for loan losses	<u>53,522</u>	<u>50,617</u>
Noninterest income:		
ATM and debit card fees	16,662	15,197
Account service fees	13,049	12,161
Gain on sale of loans	6,630	3,611
Loan fees	5,244	4,553
Securities and insurance fees	3,583	3,348
Other noninterest income	<u>2,763</u>	<u>3,337</u>
Total noninterest income	<u>47,931</u>	<u>42,207</u>
General and administrative expenses:		
Salaries and benefits	51,836	46,332
Professional services	14,134	13,180
Office occupancy and operations	13,507	13,396
Other	<u>10,435</u>	<u>10,512</u>
Total general and administrative expenses	<u>89,912</u>	<u>83,420</u>
Net income	<u>11,541</u>	<u>9,404</u>
Other comprehensive income:		
Unrealized gain (loss) on investments available-for-sale	<u>366</u>	<u>(1,876)</u>
Total other comprehensive income (loss) income	<u>366</u>	<u>(1,876)</u>
Comprehensive income	<u>\$ 11,907</u>	<u>\$ 7,528</u>

## Report from the Supervisory Committee

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John Quattrin  
Chairperson



Earl Hendricks  
Committee Member



Rick Blumenfeld  
Committee Member

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The Supervisory Committee's primary function is to ensure that SAFE Credit Union's fiscal operations provide accurate financial information ultimately published in its annual report. The Committee provides oversight by reviewing internal operations and monitoring the system of internal controls that have been established by management and the board of directors, as well as engaging the outside financial audit of the credit union.

During 2016, the Supervisory Committee engaged Crowe Horwath LLP to audit the credit union's financial statements. The Committee — in an increasingly complex regulatory and financial reporting environment — provided oversight of

the internal audit staff that performs the internal reviews of various credit union operations, as well as ensures that all internal policies and procedures, governmental regulations, and financial reporting requirements are handled appropriately.

The Committee members meet monthly with the internal audit staff and also attend the board of directors' monthly meetings to stay apprised of the credit union's operations. The volunteers serving during 2016 are pictured above.

Lastly, the Supervisory Committee stands ready to provide assistance to any member who may have an issue that cannot be appropriately resolved by the SAFE staff.



## Banking on Financial Confidence

SAFE provides financial resources beyond everyday banking, enabling members to plan for the future, achieve financial peace of mind, and enjoy life:

- As part of SAFE's participation in the Bank on Sacramento initiative, tens of thousands of unbanked residents gain the convenience and security of mainstream financial resources. In addition, SAFE aligned with the Sacramento Coalition for Working Families to provide on-site free tax preparation for low-to-moderate income families through the Volunteer Income Tax Assistance program (VITA).
- SAFE reaches out to regional employers with a package of financial wellness resources called SAFE@Work. Financially sound individuals tend to be more stable, productive, and unstressed employees. These unique programs offer employers tools to combat financial distraction, improving retention, productivity, and loyalty.
- SAFE's dedicated Community Banking division educates youth and adults at hundreds of events each year. They volunteered more than 4,160 hours at events in 2016 alone. Free financial workshops are customized to meet the specific needs of each audience: from helping the homeless move from financial crisis to self-sufficiency to empowering participants to be informed financial decision-makers.

Thanks to the financial education resources developed and presented by SAFE, in just one year:

- 54 organizations in the region took part in programs
- 202 free financial workshops were conducted
- 5,298 individuals improved their financial confidence
- Students, employees, homemakers, and retirees improved their financial well-being

## A Year of Achievement by the Numbers

In addition to loaning more than \$1 billion in one year to our members, we also broke records in other areas. Here are some of the highlights, by the numbers, for 2016:



**9,800** Hours SAFE Employees Volunteered in 2016



**15,946**

Vehicles Financed in 2016  
*(new, used, and refinanced)*



**\$7,741,541** Total Saved in 2016 with PerfectCents® Savings

*\$37,364,288 total saved since program launch in 2009*

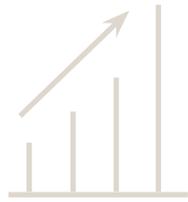


**5,298**

Financial Education Class Participants in 2016



Data accurate as of 12/31/2016



206,730 **Total Members**



22,076,434

**Consumer Credit Card Rewards Points Earned in 2016**



2,173

**Families Financed a Home in 2016**



**No 1**

**Credit Union SBA Lender by units across California**



**24%** of Employees Have Worked at SAFE for **10+** Years

*And, of those employees, one in five have worked at SAFE for more than 20 years*



# Contributions to Community Organizations

Each year, SAFE expands its support of nonprofit healthcare organizations, educational programs, and community outreach efforts.

## Healthcare and Related Organizations

- American Cancer Society
- American Red Cross
- Cancer Support Community San Francisco Bay
- Children’s Miracle Network Hospitals
- Eskaton Foundation
- Food For Families
- Jireh Foundation
- Leukemia & Lymphoma Society
- Make a Wish Foundation
- March of Dimes
- Sacramento Black Nurses Association
- Serotonin Surge Charities
- Shriners Hospitals for Children — Northern California
- Sutter Care at Home
- Sutter Medical Center Foundation
- UC Davis Foundation
- UCP of Sacramento and Northern California Foundation
- Wounded Veteran Run



## Education and Related Organizations

- California Grocers Association Education Foundation
- City Year Sacramento
- Community Outreach Academy
- Foster Youth Education Fund
- Junior Achievement of Sacramento
- Junior League of Sacramento
- Los Rios Foundation
- Sacramento County Office of Education
- Sierra College Foundation
- Teach for America
- UC Davis Graduate School of Management
- University Foundation at Sacramento State
- K-12 schools and school districts across the region

## Community

- Air Force Association
- California Auto Museum
- California Capital Airshow
- Child Advocates of Placer County
- Citrus Heights Police Department
- City of Folsom
- City Year

- Chambers of Commerce (various cities)
- El Dorado County Association of Realtors
- Fairytale Town
- Greater Sacramento New Car Dealership Association
- Greater Sacramento Urban League
- Gifts to Share
- Habitat for Humanity
- Impact Foundry
- Iu-Mien Community Services
- Lilliput Children’s Services
- Placer Community Foundation
- Rotary Clubs (various cities)
- Sacramento Choral Society & Orchestra
- Sacramento Crime Alert
- Sacramento Region Community Foundation
- St. John’s Program for Real Change
- Stanford Settlement Neighborhood Center
- Stanford Youth Solutions
- Sunrise Recreation and Park District
- The McClellan’s Chiefs Group
- The Salvation Army
- United Way
- Volunteers of America
- Wellspring Women’s Center
- Wind Youth Services

## Spotlight Organizations

**KVIE Public Television** offers a variety of educational, culturally relevant programs that enrich the lives of young and old in our community. SAFE supports this publicly funded station in providing local shows, such as “ViewFinder” and “Yes, We’re Open,” that teach us about the people, places, and topics that capture our interest as Northern Californians, in addition to providing an in-depth perspective on local issues. The quality programming at KVIE is extraordinary and vital to our community and SAFE wants to guarantee its future.

**UC Davis Health System and Medical School** makes significant contributions to the health and wellness of residents in the Greater Sacramento region. As a champion of community health, SAFE supports the UC Davis Health System and Medical School and the next generation of healthcare professionals by providing scholarships each year for UC Davis medical students, sponsoring the Mini-Medical School and Palliative Care Fellowships, and providing facilities at no charge to the Paul Hom Clinic.

**SAFE Annual Scholarship Program** was founded to celebrate the extraordinary achievements of high school seniors headed to college. Spanning the 12-county region we serve, last year this program provided ten \$1,000 scholarships to local students who excelled in academics and volunteerism, as well as those who plan to use their education to serve their communities.

**The Aerospace Museum of California** is one of the Greater Sacramento region’s greatest assets. As a patron of the Aerospace Museum of California, SAFE helps support and expand operations, educational programs, and exhibitions celebrating the heritage of military and civilian aviation while enhancing awareness of aerospace science. The Aerospace Learning Center encourages students to explore, experience, and engage through science, technology, engineering, and mathematics (STEM) activities designed to inspire and motivate students of all ages.



**The First Tee of Greater Sacramento** offers life skills and healthy habit training to young people all over the Sacramento region, helping them learn life-enhancing values, make healthy choices, and strengthen their character. This youth development organization touches the lives of more than 18,500 young people annually — from ages 5 to 18 — by teaching them First Tee’s Nine Core Values: honesty, respect, courtesy, judgment, perseverance, confidence, sportsmanship, responsibility, and integrity. SAFE is proud to offer financial support and volunteer time to an organization that positively shapes the lives of children and teens through the game of golf.

**The Sacramento County Office of Education Academic Decathlon** marked its 36<sup>th</sup> year in 2016 and SAFE was there to provide \$10,000 for this outstanding program. SAFE awarded scholarships to high school medalists and winning teams, as well as sponsored the participation of teams from local high schools. These students are the future leaders of our community.

**Speaker Series and “Share the Vision”** is a community lecture series that provides an open forum for discussion of timely and important issues by nationally acclaimed speakers. The series brings to Sacramento an impressive list of national leaders, authors, scientists, and visionaries, each chosen on the basis of career achievements and unique expertise in a particular field. SAFE also sponsors the Speakers Series’ “Share the Vision” program, offering hundreds of exceptional local high school students the opportunity to engage with the guest speakers and also attend the lectures free of charge.

2016 SAFE Board of Directors



Ronald Seaman  
Chairperson



Phillip Meserve  
1st Vice Chairperson



Terrance Tremelling  
2nd Vice Chairperson



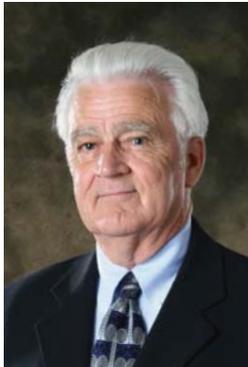
Kathern Gaskins  
Treasurer



James Jefferson  
Secretary



James Hopp  
Director



Herb Long  
Director



Alice Perez  
Director



Sarajjit Dahyia  
Director



Donald Hug  
Director Emeritus



Robert E. Logue III  
Director Pro Tempore



Nadder Mirsepassi  
Director Pro Tempore



Dylan Gottfried  
Director Pro Tempore

# 2016 SAFE Executive Management



David Roughton  
President/  
Chief Executive  
Officer



James Allen  
Senior Vice President/  
Chief Operating  
Officer



Chris Harris  
Senior Vice  
President/  
Chief Financial  
Officer



Faye Nabhani  
Senior Vice  
President/  
Chief Credit Officer



David Pope  
Senior Vice President  
Information  
Technology and  
Facilities



Virginia Wade  
Senior Vice President  
Employee Services



Paul Hersek  
Vice President



Paul Rigdon  
Vice President



Ken Getz  
Vice President



Tarrah Palomino  
Vice President



Sun Park  
Vice President



Mike Burnett  
Vice President



Terrence Jones  
Vice President



Gina Olson  
Vice President



Stacy Corral  
Vice President



Larry Braley  
Vice President

## Branch Locations

### **Antelope**

7887 Walerga Road  
Antelope, CA 95843

### **Bradshaw**

3509 Bradshaw Road  
(inside Food Source)  
Sacramento, CA 95827

### **Citrus Heights**

7475 Madison Ave.  
Citrus Heights, CA 95610

### **East Elk Grove**

9312 Elk Grove Blvd.  
Elk Grove, CA 95624

### **East Sacramento**

6341 Folsom Blvd.  
Sacramento, CA 95819

### **El Camino**

3560 El Camino Ave.  
Sacramento, CA 95821

### **Folsom**

2740 E. Bidwell St.  
Folsom, CA 95630

### **Galleria**

2901 K St., Suite 100  
(inside Sutter Square)  
Sacramento, CA 95816

### **Granite Bay**

8789 Auburn-Folsom Road  
Suite B  
Granite Bay, CA 95746

### **Hazel**

5261 Hazel Ave.  
Fair Oaks, CA 95628

### **Laguna**

9162 Bruceville Road  
Elk Grove, CA 95758

### **Lincoln**

111 Ferrari Ranch Road  
Lincoln, CA 95648

### **McClellan Park**

5440 Dudley Blvd.  
McClellan, CA 95652

### **North Natomas**

2200 Del Paso Road  
Sacramento, CA 95834

### **Rancho Cordova**

12519 Folsom Blvd.  
Rancho Cordova, CA 95742

### **Rocklin**

6190 Stanford Ranch Road  
Rocklin, CA 95765

### **Roseville - New Location**

121 North Sunrise Ave.  
Roseville, CA 95661

### **Sunrise**

7601 Sunrise Blvd.  
Citrus Heights, CA 95610

### **Watt**

4636 Watt Ave.  
North Highlands, CA 95660

### **West Roseville**

9055 Woodcreek Oaks Blvd.  
Suite 150  
Roseville, CA 95747

### **West Sacramento**

2105 Town Center Plaza  
Suite F100  
West Sacramento, CA 95691

### **Contra Costa Mortgage Lending Office**

508 Contra Costa Blvd.  
Suite S  
Pleasant Hill, CA 94523

### **Local Call Center**

(916) 979-7233  
(800) SEE-SAFE



NMLS # 466072



Federally insured by NCUA



# SAFE

CREDIT UNION