Generations of Service

1981
Groundbreaking for the current headquarters site in Manhattan Beach.

1989
Board of Directors celebrating $1 billion in assets.

1968
Main lobby of new headquarters building at 8110 Airport Blvd.

1959
Main lobby of new headquarters building at 8110 Airport Blvd.

1988
Members Clayton and Diane Shannon obtained the Credit Union’s first mortgage loan.

1981
Members Clayton and Diane Shannon obtained the Credit Union’s first mortgage loan.

1959
Friendly staff at our airport onsite branch, one of the earliest federal credit union locations in the U.S.

1988
Members Clayton and Diane Shannon obtained the Credit Union’s first mortgage loan.

1975
Our vision: To be the preferred and most trusted life-long financial partner in the communities we serve.

2005
The Clayton family, then on their third Kinecta mortgage.

2015
Clayton & Diane Shannon, Members since 1980.

2005
The Clayton family, then on their third Kinecta mortgage.
It all began with 12 employees of Hughes Aircraft Company asking Howard Hughes if they could form a credit union. His response? “Sure, start the Credit Union.” So in October 1940, the United States government issued a charter establishing the Hughes Aircraft Employees Federal Credit Union. Each of the founders deposited $5, and the Credit Union launched with total assets of $60. Membership cost 25 cents, and the maximum loan amount was $200.

For many years, Kirkena has been among the top choice for highly competitive financing on new, used and reconditioned vehicles. In 2015, its auto loan portfolio reached $1.2 billion. For two years running, Kirkena has been the second largest credit union auto lender in California.

Kirkena recently began a long-term effort to meet their members’ needs for property and casualty insurance. Although it is a relatively new line of business, members are enthusiastic about the offering, and Business Services is one of the most rapidly growing areas at the Credit Union. Kirkena is a Preferred Lender with the Small Business Administration (SBA) and in 2015, Kirkena ranked as the number one credit union in SBA lending for all of Southern California.

Kirkena has consistently worked to provide members with access to the latest technology to make managing their finances as convenient, fast and secure as possible. It was 1998 when Paymaster Direct, our first “Internet bank” of the time, was launched. Kirkena launched its mobile app and has updated it with new enhancements ever since. In 2015, the Credit Union added new features including fingerprint authentication, quick balances before login, and pending debit transactions. Plus, Kirkena rededicated its e-statements for easy access by members in both mobile and online channels.

Kirkena established itself as the leader in the credit Union space in many ways. In 2007, the company launched its mobile app and has updated it with new enhancements ever since. In 2015, the Credit Union added new features including fingerprint authentication, quick balances before login, and pending debit transactions. Plus, Kirkena rededicated its e-statements for easy access by members in both mobile and online channels.

Kirkena’s strength and stability will support our ongoing commitment to providing real value to our members, employees and communities.

All of us at Kirkena – your volunteer Board of Directors, management and every employee – thank you for your membership and continued loyalty.

Sincerely,

Robert A. Young
Chair of the Board

Keith Sullivan
President & CEO

75 Years… And Counting

From generation to generation, you can depend on your Credit Union to be your trusted lifelong financial partner – built for members, not for profit. As we continue to seek out new ways to better serve you, Kirkena’s strength and stability will support our ongoing commitment to providing real value to our members, employees and communities.

Robert A. Young
Chair of the Board

Keith Sullivan
President & CEO

Another important area of giving for the Credit Union is our local schools. From scholarships to financial education to scholarships, Kirkena delivers a wide range of activities that benefit students, teachers and administrators. In 2015, the annual Scholarship Program awarded a total of $16,000 to eight outstanding student members. In addition, we launched new Teaching Grants for Kindergarten through 12th grade totaling up to $3,000. In addition to 12th-grade teachers for curriculum enhancement.

75 Years of Innovation

From day one, your Credit Union embarked on a process of continuous renewal to develop the products and services that best serve members’ evolving financial needs.

In 1940, Kirkena launched its second subsidiary, Kirkena Financial Management Company (KFMC), to help members save for retirement and to provide access to alternative investment products like stocks, bonds and mutual funds. Since then, KFMC has grown to manage more than $1.4 billion in assets for Credit Union members. KFMC provides expert guidance on a comprehensive array of financial solutions to help members accrue, preserve and distribute their funds. For the past 10 years, KFMC has ranked number one among all credit unions affiliated with LPL, the nation’s largest independent broker-dealer with financial management.

Your Credit Union is also dedicated to improving the financial health of its membership. Kirkena employees help members navigate the latest technology to make managing their finances as convenient, fast and secure as possible. It was 1998 when Paymaster Direct, our first “Internet bank” of the time, was launched. Kirkena launched its mobile app and has updated it with new enhancements ever since. In 2015, the Credit Union added new features including fingerprint authentication, quick balances before login, and pending debit transactions. Plus, Kirkena rededicated its e-statements for easy access by members in both mobile and online channels.

In 1981, the credit Union was launched to allow members access to all products and services on the same floor.

2015

Twenty years later, members continue to enjoy easy expanding range of products and services on the same floor. For example, Kirkena’s Portfolio Manager, Business Services and the mortgage group have moved into one and the same location to better serve customers. And more.

It all began with 12 employees of Hughes Aircraft Company asking Howard Hughes if they could form a credit union. His response? “Sure, start the Credit Union.” So in October 1940, the United States government issued a charter establishing the Hughes Aircraft Employees Federal Credit Union. Each of the founders deposited $5, and the Credit Union launched with total assets of $60. Membership cost 25 cents, and the maximum loan amount was $200.
Dedicated TO COMMUNITY

Kinecta Volunteer Corps
Employees of Kinecta and our subsidiaries volunteered more than 7,100 hours, raised nearly $400,000 in donations, and participated in nearly 100 community events in 2015, including the following:
- Al Wooten Jr. Heritage Center
- American Red Cross
- 46th Annual Back-to-School Backpack Drive
- 42nd Annual Kinecta/Nix Holiday Food Drive
- Best Buddies Friendship Walk
- Earth Day Paper Shredfest
- The Friendship Foundation
- Habitat for Humanity
- Heal the Bay Coastal Cleanup Day
- Karma Rescue
- Let It Be Foundation 5k Run/Walk
- Martin Luther King Jr. Day of Service
- The Midnight Mission
- Mychal’s Learning Place
- Operation Gratitude
- Parents of Watts
- Richstone Family Center: Pier-to-Pier Walkathon
- Skechers Pier-to-Pier Friendship Walk
- Special Olympics World Games
- Thomas House Family Shelter
- Volunteer Center: Operation Teddy Bear Reading Program
- Walk to End Alzheimer’s
- Walk to End Lupus Now
- Working Wardrobes: Professional Clothing Drive

Children’s Miracle Network
In 2015, through a variety of fundraising efforts, Kinecta and Nix members, customers and employees garnered more than $165,000 for Children’s Miracle Network Hospitals—a 65% increase over the previous year!

Online Giving is a unique feature of Kinecta Direct online banking that gives members the opportunity to contribute $1 or $5 a month, quarterly or annual basis to benefit Children’s Miracle Network. It’s easy! Just login to Online Banking and click on Online Giving.

“Watch it is very fortunate to have Kinecta’s support and the community is lucky to have them too!”
- Shari Shee, Mychal’s Learning Place

“Again, thank you for keeping Angel in our children. We are deeply grateful for your belief in the work we do.”
- Allison Tanaka, The Richstone Family Center

Kinecta’s fundraising and volunteer activities in support of local CMN Hospitals included (from top) our Annual Toy Drive, Miracle Jeans Day and the CHOC Walk in the Park.

Kingston’s signature custom-built BBQ rig is used to cater community events for nonprofit organizations, school districts and U.S. military men and women.

Kinecta and Nix were honored by the Al Wooten Jr. Heritage Center with its 22nd Annual Catch the Vision Award, in appreciation for more than 20 years of our activities supporting local youth and families.

Kinecta’s signature custom-built BBQ rig is used to cater community events for nonprofit organizations, school districts and U.S. military men and women.

Kinecta’s signature custom-built BBQ rig is used to cater community events for nonprofit organizations, school districts and U.S. military men and women.
Howard Hughes (1905-1976), founder of Hughes Aircraft Company, was an American business tycoon, entrepreneur, investor, aviator, aerospace engineer, inventor, filmmaker and philanthropist. In 1940, Hughes gave his permission for the founding of Hughes Aircraft Employees Federal Credit Union, renamed Kinecta Federal Credit Union in 2001.
### KINECTA FEDERAL CREDIT UNION AND SUBSIDIARIES

#### CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

**AS OF DECEMBER 31, 2015 and 2014**

<table>
<thead>
<tr>
<th>Components</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and investments</td>
<td>$174,976</td>
<td>$241,642</td>
</tr>
<tr>
<td>Loans receivable, net</td>
<td>$3,431,559</td>
<td>$3,171,264</td>
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<tr>
<td>Mortgage servicing rights</td>
<td>$32,535</td>
<td>$29,095</td>
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<tr>
<td>Premises and equipment</td>
<td>$43,339</td>
<td>$46,618</td>
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<tr>
<td>Goodwill and other intangibles</td>
<td>$45,339</td>
<td>$40,588</td>
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<tr>
<td>Other assets</td>
<td>$74,542</td>
<td>$70,591</td>
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<tr>
<td><strong>Total assets</strong></td>
<td>$3,800,424</td>
<td>$3,399,799</td>
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<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members' shares</td>
<td>$3,255,734</td>
<td>$2,972,570</td>
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<tr>
<td>Borrowed funds</td>
<td>$185,000</td>
<td>$284,804</td>
</tr>
<tr>
<td>Accrued expenses and other liabilities</td>
<td>$59,617</td>
<td>$49,262</td>
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<tr>
<td><strong>Total liabilities</strong></td>
<td>$3,494,351</td>
<td>$3,355,645</td>
</tr>
<tr>
<td>Members' equity</td>
<td>$304,073</td>
<td>$293,142</td>
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<tr>
<td><strong>Total liabilities and members’ equity</strong></td>
<td>$3,798,424</td>
<td>$3,648,787</td>
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</tbody>
</table>

#### KINECTA FEDERAL CREDIT UNION AND SUBSIDIARIES

#### CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

**YEARS ENDED DECEMBER 31, 2015 and 2014**

<table>
<thead>
<tr>
<th>Components</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>$131,342</td>
<td>$124,828</td>
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<tr>
<td>Net interest income</td>
<td>$106,252</td>
<td>$102,718</td>
</tr>
<tr>
<td>Provision for loan losses</td>
<td>$11,327</td>
<td>$4,762</td>
</tr>
<tr>
<td>Net interest income after provision for loan losses</td>
<td>$94,925</td>
<td>$97,956</td>
</tr>
<tr>
<td><strong>Noninterest income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commissions, fees and other</td>
<td>$58,512</td>
<td>$62,456</td>
</tr>
<tr>
<td>Gain on sale of loans, net</td>
<td>$50,012</td>
<td>$40,707</td>
</tr>
<tr>
<td><strong>Total noninterest income</strong></td>
<td>$108,524</td>
<td>$103,163</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation and benefits</td>
<td>$96,627</td>
<td>$90,797</td>
</tr>
<tr>
<td>Office occupancy</td>
<td>$12,834</td>
<td>$13,020</td>
</tr>
<tr>
<td>Other operating expense</td>
<td>$78,252</td>
<td>$74,632</td>
</tr>
<tr>
<td><strong>Total noninterest expense</strong></td>
<td>$187,715</td>
<td>$178,449</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>$15,734</td>
<td>$22,668</td>
</tr>
<tr>
<td><strong>Other comprehensive loss</strong></td>
<td>$4,240</td>
<td>$2,236</td>
</tr>
<tr>
<td><strong>Comprehensive income</strong></td>
<td>$19,974</td>
<td>$24,904</td>
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</tbody>
</table>
The Supervisory Committee has engaged independent auditors to complete Kinecta Federal Credit Union’s financial audit of the consolidated financial statements as of December 31, 2015 and 2014. The independent auditors have issued an unmodified opinion in their Independent Auditors’ Report. The audited consolidated financial statements as of and for the years ended December 31, 2015 and 2014 (not presented herein) are available by calling the Credit Union’s Member Contact Center at 800.854.9846.

The Credit Union’s Condensed Consolidated Statements of Financial Condition as of December 31, 2015 and 2014 and Condensed Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2015 and 2014 are included herein on pages 8 and 9.

Based on our review and the result of our independent auditors’ procedures, the Supervisory Committee believes the Credit Union has maintained accurate and timely accounting records, and applied the policies and procedures established by the Board of Directors.

Jeffrey S. Conrad
Chair, Supervisory Committee

1982
General Manager Robert N. Pacheco and Board President “Deets” Todd place a current list of members in a time capsule, located in the headquarters cornerstone. The time capsule also contains models of Hughes Aircraft Company satellites and missiles and is to be opened in 2082.

CO-OP Shared Branching
Our partnership with CO-OP Financial Services allows you to conduct transactions at more than 5,000 CO-OP Shared Branch credit union branches and 2,000 self-service locations in all 50 states. To find a shared branch near you, visit www.kinecta.org and click on Locations, www.co-opsharedbranch.org or use the Kinecta Mobile Banking app.

CO-OP ATM Network
Forget about paying surcharge fees when you see the CO-OP Network logo at nearly 30,000 ATM nationwide, including more than 2,000 Vcom® kiosks at 7-Eleven® stores. Find a nearby ATM at www.kinecta.org and click on Locations, www.co-opatm.org or via the Kinecta Mobile Banking app.

Member Contact Center – 800.854.9846
We are available to assist you personally Monday through Friday, from 7 a.m. to 7 p.m. and Saturdays from 9 a.m. to 5 p.m. Pacific Time.

Retail Mortgage Centers
Our retail mortgage centers are staffed by experienced mortgage loan professionals and offer a variety of residential and commercial loans. Locations include Newport Beach, San Diego and Thousand Oaks.

1968
Groundbreaking for new headquarters building at 8110 Airport Blvd. Employees Gloria Schaefer (wearing glasses) is in back row, seventh from right.

2015
Gloria Schaefer, 50-year Credit Union member and former employee.

1952
Our automated voice response system allows you to handle many transactions whenever you choose. To set up phone banking access, just call our Member Contact Center at 800.854.9846, option 9. Service is available in English and Spanish.

10

11
During the event, Kinecta raised more than $3,600 to benefit the 2015 Special Olympics World Games in Los Angeles. Special Olympics athletes from Hawthorne-based Mychal’s Learning Place were honored, and the official World Games theme song, “Reach Up,” was performed.

Celebrating 75 YEARS OF SERVICE

75TH ANNIVERSARY CELEBRATION & CHILI COOK-OFF

Kinecta Federal Credit Union celebrated its 75th anniversary with a free public celebration on Saturday, July 11, 2015. More than 500 Kinecta members, employees, and the local community joined the festivities, which included an employee Chili Cook-off and tasting, barbeque lunch, family entertainment, raffle prizes and giveaways. A good time was had by all!

From 2011-2015, Kinecta was proud and honored to be named the South Bay’s Best Credit Union by readers of the Daily Breeze newspaper in Torrance, Calif.
Generations of Service

Kinecta Federal Credit Union

75 Years 1940 - 2015

1440 Rosecrans Avenue
Manhattan Beach, CA 90266
800.854.9846
www.kinecta.org

Historical quotes from “A Credit to its Members: Hughes Aircraft Employees Federal Credit Union, A History, 1940-2000,” by Mary R. Blake and Craig S. Horning, 2001

All of the photographs in this Annual Report portray actual Kinecta members, employees and community volunteer events.

Thank you to everyone who participated!


2015
Marlene Castillo, Member Service Representative I, Main Office

2015
Carlos Ayala, Consumer Lending Operations Specialist II

2015
Alyssa Branam, Member Service Representative, Sr., Manhattan Beach

2015
Gabriel Carpentario, Member since 2012

2015
Angela Jones, Member since 1996