Generations OF SERVICE



2015 ANNUAL REPORT

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





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



1981
Groundbreaking for the current headquarters site in Manhattan Beach.



1989
Board of Directors celebrating $1 billion in assets.

OUR VISION

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

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



2015
Clayton & Diane Shannon, Members since 1980

75 YEARS 1940 - 2015

2005
The Clayton family, then on their third Kinecta mortgage

Generations OF SERVICE 1940-2015



1977
"The Paymaster," a painting depicting an Old West figure of financial prowess, was selected to represent the Credit Union. In 1979, the image was streamlined into a sophisticated logo, giving the Credit Union a unique corporate identity.

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.

From these humble beginnings, a dynamic, influential and long-lasting organization emerged. The name changed to Kinecta Federal Credit Union in July 2001, after the sale and dissolution of Hughes Aircraft, but the spirit that started and supported the Credit Union throughout the years remains unchanged.

Today, Kinecta is honored to serve the more than 280,000 members who have placed their trust and confidence in their Credit Union. With $3.8 billion in assets, Kinecta ranks as one of the largest credit unions in Los Angeles County, eighth largest in California and 37th largest in the United States.*

"I think a really important part of what made this Credit Union a success was its foresight – its ability to stay up with the times and to anticipate peoples' needs."

– John Bertrand
Public Relations Manager, 1968-1992

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 1988, the Credit Union issued its first mortgage loan. From that spark, Kinecta has grown into one of the largest credit union mortgage originators in the U.S. In 2015, the Credit Union funded more than $2.3 billion in mortgage loans for members.

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

Kinecta recently began a long-term effort to meet the needs of the many members who own small businesses. Although it is a relatively new line of business, member response has been fantastic, and Business Services is one of the most rapidly growing areas at the Credit Union. Kinecta is a Preferred Lender with the Small Business Administration (SBA), and in 2015, Kinecta ranked as the number one credit union in SBA lending for all of Southern California.

1981
Board President F.D. "Deets" Todd makes a withdrawal from the 'Paymaster Cashbox,' one of our first ATMs.



2015
In-Lobby Teller (ILT) machines at select Member Service Centers offer cutting-edge technology, with more on the way.

Kinecta 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 banking" site, came online. More recently, Kinecta 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, Kinecta redesigned e-statements for easy access by members in both mobile and online channels.

75 Years of Building Futures

Kinecta established its first wholly owned subsidiary in 1986 to meet members' needs for property and casualty insurance. With a focus on convenience and outstanding service, that business has grown to serve more than 16,000 members with an extensive line of personal protection products, including customized coverages with leading companies such as MetLife, Mercury, Travelers and Safeco.

In 1990, Kinecta launched its second subsidiary, Kinecta 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 working with financial institutions.

Your Credit Union is also dedicated to improving the financial health of underserved communities through Nix Neighborhood Lending (Nix), a wholly owned subsidiary acquired in 2007. Nix offers a wide variety of small-dollar consumer credit products available with lower fees, larger loans and better service than other providers. Since launching in 2014, Nix's unique debt consolidation loan has helped nearly 1,000 families break the cycle of high-cost debt while building or repairing their credit and saving thousands of dollars in fees.

75 Years of Caring

As a community-based financial institution, Kinecta is passionate about giving back through community service. The efforts of Kinecta's employees in 2015 supported nearly 100 charity events, with staff volunteering more than 7,100 hours and raising nearly $400,000 in donations for local nonprofit organizations. Kinecta continued its enthusiastic support of Children's Miracle Network Hospitals and our 42nd Annual Holiday Food Drive. Employees and members also stepped up big for the Special Olympics World Games in Los Angeles this past year. (See pages 5-6 for details.)

"I see no reason in the world that we can't offer every possible financial service and at the same time maintain our 'people helping people' philosophy."

– Bill Bates, Board volunteer 1976-2001, Chair 1987-1996

Another important area of giving for the Credit Union is our local schools. From sponsorships to financial education to scholarships, Kinecta 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 Growth, offering stipends up to $1,000 to pre-K to 12th-grade teachers for curriculum enhancement.

75 Years... And Counting

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

All of us at Kinecta – 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 Sultemeier
President & CEO

*Ranked by assets

1995
Main office was redesigned to allow members access to all products and services on the same floor.

Then



75 YEARS

Now



2015
Twenty years later, members continue to enjoy an ever-expanding range of products to meet their needs. Denish Shah, Portfolio Manager, Business Services and Adam Barreto, Mortgage Loan Consultant II (L to R) offer personalized in-branch service.

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
- 6th 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



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

Facing page, two photos at upper left:

Team Kinecta hosted a summer carnival for the Friendship Foundation South Bay, which serves children and adults with special needs.

Team Kinecta raised funds to provide services for families of children diagnosed with life-threatening illnesses at the Let it Be Foundation 5k Run/Walk.

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 on a monthly, quarterly or annual basis to benefit Children's Miracle Network. It's easy! Just login to Online Banking and click on Online Giving.

"Mychal's is very fortunate to have Kinecta's support and the community is lucky to have them too!"

– Ellen Silver, Mychal's Learning Place

"Again, thank you for being an Angel to our children. We are deeply grateful for your belief in the work we do."

– Allison Tanaka, The Richstone Family Center

"The relationship between Kinecta and Centinela Valley Union High School District is a model for how community partnerships can strengthen the educational program by providing authentic experiences for students."

– Hatha I. Parrish, Director of Federal and State Programs, CVUHSD



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.

Team Kinecta has been volunteering since 2014 at The Midnight Mission, a human services organization serving downtown Los Angeles' skid row.

More than 300 Kinecta members, employees, family and friends enthusiastically took part as spectators and supporters of the Special Olympics World Games.

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 volunteers joined forces with Habitat for Humanity to help to build a home for a family in need.

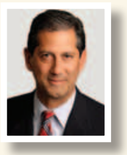
Leadership

"I think Hughes Credit Union, during my eight years, made the transition from being a singular credit union concerned about its own growth and welfare to being an integral part of the credit union movement."

– W.F. (Bill) Broxterman
President and CEO, 1989-1997

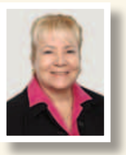
BOARD OF DIRECTORS

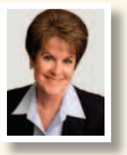

Robert A. Young
Chair


Paul A. James
Vice Chair


Mary Yasui-Yamabe
Treasurer


Jeffry Y. Yonemura
Secretary


Jacqueline Stafsudd
Associate Treasurer


Suzanne M. Curtin
Assistant Secretary


Darryl F. Johnson
Director

KINECTA FINANCIAL MANAGEMENT COMPANY, LLC BOARD OF DIRECTORS

Paul A. James, Chair; John N. Tessier, Vice Chair; Jeffry Y. Yonemura, Treasurer; Jacqueline Stafsudd, Secretary; Jeffrey Conrad, Director; Keith Sultemeier, Director

KINECTA ALTERNATIVE FINANCIAL SOLUTIONS, INC. BOARD OF DIRECTORS

Darryl F. Johnson, Chair; Janet Sparrow, Vice Chair; Andrew Savoy, Treasurer; Suzanne M. Curtin, Secretary; Mary Yasui-Yamabe, Director; Keith Sultemeier, Director; Jeffrey W. Wells, Director

SUPERVISORY COMMITTEE


Jeffrey S. Conrad
Chair


Jeffrey W. Wells
Secretary


Suzanne M. Curtin
Member


Keith U. Landenberger
Member


Mark D.S. Byrne
Member

EXECUTIVE STAFF


Keith Sultemeier
President and Chief Executive Officer


Joseph E. Whitaker
Executive Vice President, Chief Operating Officer


Mark Holbrook
Senior Vice President, Chief Risk Officer


Maria S. Japardi
First Vice President, Human Resources


Sharon L. Moseley
Senior Vice President, Chief Information Officer


Brett Stubbs
First Vice President, Controller


Luis Peralta
President, Kinecta Alternative Financial Solutions, Inc.


Douglas C. Wicks
President, Kinecta Financial Management Company, LLC

DIRECTORS EMERITI

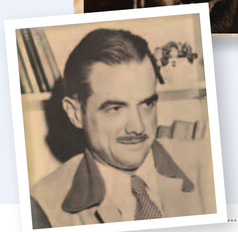

Andrew L. Savoy


Janet C. Sparrow


John N. Tessier



1936
Howard Hughes (2nd from left) is congratulated by President Franklin D. Roosevelt after receiving the Harmon Aviator Trophy.



1947

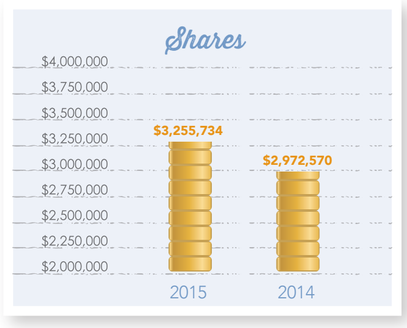
Howard Hughes (1905-1976), founder of Hughes Aircraft Company, was an American business tycoon, entrepreneur, investor, aviator, aerospace engineer, inventor, filmmaker and philanthropist. In 1940, Hughes gave his permission for the founding of Hughes Aircraft Employees Federal Credit Union, renamed Kinecta Federal Credit Union in 2001.

Financials

KINECTA FEDERAL CREDIT UNION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
AS OF DECEMBER 31, 2015 and 2014

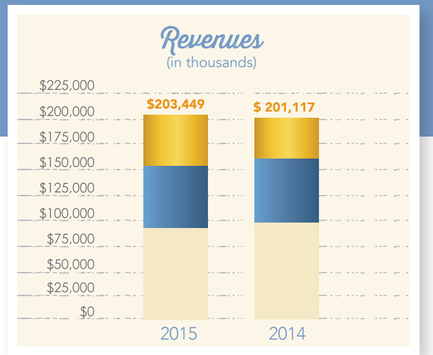
(in thousands)	2015	2014
Assets		
Cash and investments	$ 176,976	$ 241,642
Loans receivable, net	3,431,559	3,171,264
Mortgage servicing rights	32,535	29,095
Premises and equipment	45,339	46,618
Goodwill and other intangibles	39,473	40,588
Other assets	74,542	70,591
Total assets	$ 3,800,424	$ 3,599,798
Liabilities and Members' Equity		
Liabilities:		
Members' shares	$ 3,255,734	$ 2,972,570
Borrowed funds	185,000	284,804
Accrued expenses and other liabilities	53,617	49,282
Total liabilities	3,494,351	3,306,656
Members' equity	306,073	293,142
Total liabilities and members' equity	$ 3,800,424	$ 3,599,798

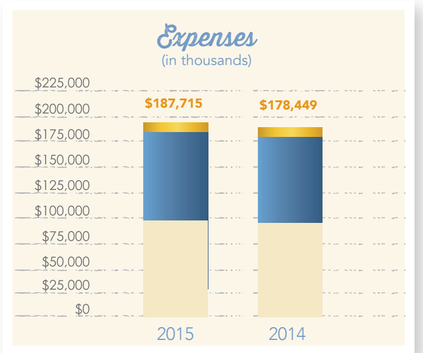




KINECTA FEDERAL CREDIT UNION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2015 and 2014

(in thousands)	2015	2014
Interest income	$ 131,342	$ 124,828
Interest expense	25,090	22,112
Net interest income	106,252	102,716
Provision for loan losses	11,327	4,762
Net interest income after provision for loan losses	94,925	97,954
Noninterest income		
Commissions, fees and other	58,512	62,456
Gain on sale of loans, net	50,012	40,707
Total noninterest income	108,524	103,163
Noninterest expense:		
Compensation and benefits	96,627	90,797
Office occupancy	12,836	13,020
Other operating expense	78,252	74,632
Total noninterest expense	187,715	178,449
Net income	$ 15,734	$ 22,668
Other comprehensive loss	(2,803)	(2,236)
Comprehensive income	$ 12,931	$ 20,432





REPORT OF THE *Supervisory Committee*

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 building cornerstone. The time capsule also contains models of Hughes Aircraft Company satellites and missiles and is to be opened in 2082.

Service Providers

Independent Auditors
Crowe Horwath
Sherman Oaks, CA

Legal & Regulatory Counsel
Styskal, Wiese & Melchione, LLP
Glendale, CA

Serving You WHEREVER YOU ARE

Member Service Centers

Our friendly, knowledgeable representatives are ready to serve you at 22 Kinecta Member Service Centers as well as 10 Nix Neighborhood Lending branches across Southern California. For a complete list of locations and operating hours, visit www.kinecta.org and click on Locations.

Online Banking

Manage your Credit Union accounts any time with Kinecta Direct Online Banking. It's easy to review statements, transfer money between accounts, view and print cleared checks, apply for loans and a wide selection of other options. With eDocuments, you can opt-in to electronically receive not only account statements, but also selected notices and tax documents. In 2015 we redesigned estatements for easy access in both online and mobile channels.

Mobile Banking

View account history, deposit checks, transfer funds, locate fee-free ATMs and branches and much more – all from your smart phone or tablet. New in 2015: fingerprint authentication, quick balances before login and pending debit transactions.

Kinecta Phone

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.

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 ATMs 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. Then-employee Gloria Schaefer (wearing glasses) is in back row, seventh from right.

Then



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

Now



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!







Special guests included U.S. Representative Ted Lieu, 33rd District (at right); State Assemblyman, David Hadley, South Bay District 66 (upper right) and Manhattan Beach Mayor Mark Burton, all of whom addressed the crowd and praised the benefits of credit unions.

U.S. Representative Ted Lieu presented a Certificate of Congressional Recognition, accepted by Keith Sultemeier, Kinecta President & CEO.



Kinecta employees on team "Spicy Chimichangas" celebrated their win for Best Table Decorations in the Chili Cook-off.



More than 500 Kinecta members, employees, government officials, and the local community joined the celebration in honor of the Credit Union's 75th Anniversary!

75 YEARS 1940 - 2015





Hawthorne Police Public Service Officer Lameka Bell brought along talking police car Gabby and service dog Scottie. Representatives from the Manhattan Beach and Hermosa Beach police departments were also on hand with information and giveaways.

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.

75 YEARS



Local firefighters stopped by to support the event and enjoy lunch.





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

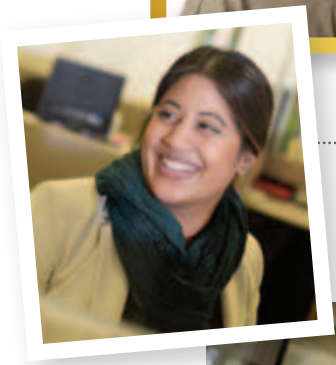
KINECTA℠
FEDERAL CREDIT UNION

75 YEARS 1940 - 2015

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

2015
Gabriel Carpentario,
Member since 2012





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
Angela Jones,
Member since 1996

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!

PHOTO CREDITS: Courtesy of the **Shannon Family** – page 1. **Sean Hiller** – page 3, lower right. **Sammy Alkari** – page 5, lower left. **Greg Hancock** for Xpress Data – page 5, upper right; page 12, top row left & right, bottom row left & center; page 13, top row. **Mark Dustin** – page 12, top row center; page 13, middle & bottom rows. **Steve McCrank** – back cover, center 3 photos.