

## *Baybank Corporation*

### **Officers**

**Herbert D. Iverson**  
Chairman

**Donald P. St.Germaine**  
President

**Thomas O. Fillman**  
Vice President and Treasurer

**Marcey J. Skwor**  
Vice President and Secretary

### **Board of Directors**

**Herbert D. Iverson**  
Chairman

**Michael J. Decker**

**Dennis L. LaMarch**

**Donald P. St.Germaine**

**Jeffrey L. Waeghe**

**Curtis W. Spreen**

**Lanna M. Scannell**

### *Baybank*

### **Officers**

**Donald P. St.Germaine**  
President

**Thomas O. Fillman**  
Senior Vice President

**Marcey J. Skwor**  
Vice President and Cashier

**Karen E. LaFave**  
Vice President and  
Escanaba Office Manager

**Esther M. Davis**  
Rapid River Office Manager

**Julie L. Scheck**  
Gladstone Office Manager

**Carol C. Lauscher**  
Loan Officer

**Lori A. Zeise**  
Quality Control/Marketing



# *2014 Annual Report*

Dear Baybank Shareholder:

During 2014, Baybank Corporation recorded earnings of \$656,000 or \$6.82 per share. The return on average assets was .79% and the return on average equity was 6.71%. Earnings increased 8% over the prior year due to an improved net interest margin as well as lower legal and collection expenses.

Total assets increased slightly to \$83,611,000. Your company continues to have no debt outstanding. We again had nice growth in the loan portfolio with commercial loans increasing 13% and total loans increasing 6% to \$47,627,000. We continue to service another \$36,000,000 in home mortgages sold to the secondary market. Loans serviced by Baybank total over \$83,000,000. The reserve for loan losses also increased and now equals 1.7% of the loan portfolio.

The bank's capital position continued to strengthen with Tier 1 capital increasing to \$9,778,000. Our total risk-based capital ratio to risk-based assets at over 18% is well above the 10% "Well Capitalized" ratio set by the regulators.

Significant accomplishments noted in 2014 included:

- Implemented a campaign to bring "Generation Y" to Baybank. Specific actions taken included: adding "text alerts" to our mobile banking platform; forming a "Gen Y" committee of young bank employees where ideas for bringing millennials is brainstormed; establishing a Baybank/Facebook page; and producing TV commercials "starring" 20-something year olds.
- In the last quarter of the year we launched On-line mortgage application capabilities. This will allow anyone to apply for a Baybank mortgage from the comfort of their home or office. This program will not only collect all information necessary, it will also approve the application, provide required compliance disclosures, and even issue a "pre-approval" letter for home shoppers to give to their realtors.
- Implemented a bank-wide system to monitor and update policies, procedures and forms to ensure compliance with the deluge of consumer protection regulations and rulings being formulated by the newly established "Consumer Financial Protection Bureau".
- As noted, our capital position remains strong with 2014 dividends of \$3.80 per share representing an annual divided increase for the 17<sup>th</sup> consecutive year.

As we enter our 103<sup>rd</sup> year as a community bank, we believe that our best days are ahead of us. We will continue to invest in our operations and people so that we may better serve our customers and communities.

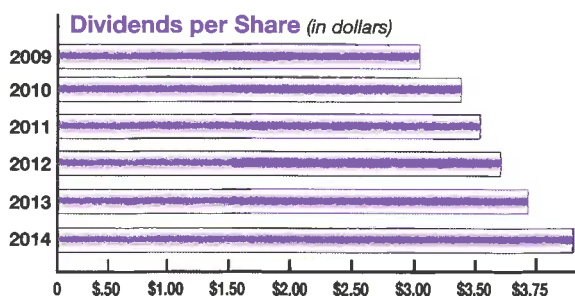
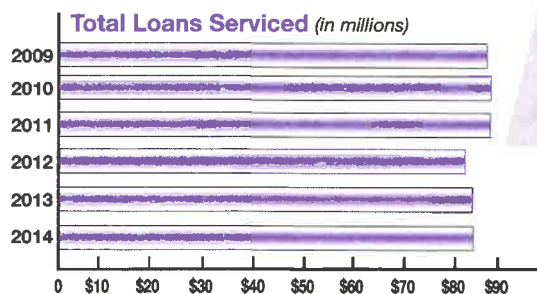
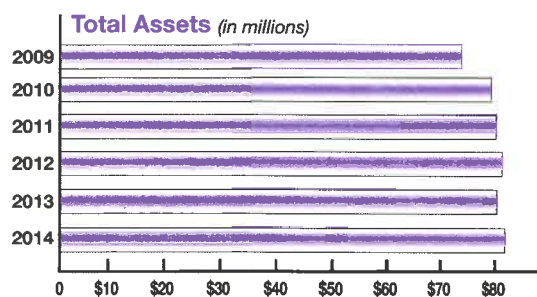
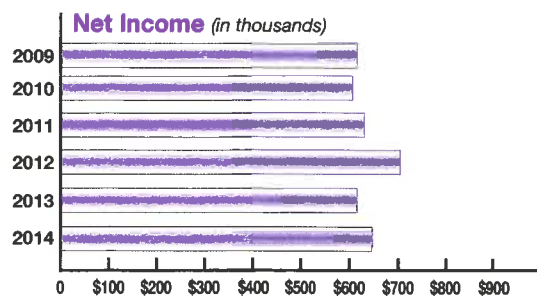
Once again I want to thank our great customers, dedicated professional staff, the Board of Directors and you, our shareholders.

We appreciate your continued support.

Sincerely,

Donald P. St.Germaine  
President  
Baybank Corporation

*Serving Delta County for Over 100 Years!*



*\*IN THOUSANDS*

	2014	2013
<b>ASSETS</b>		
CASH AND DUE FROM BANKS	\$ 2,503	\$ 3,833
FEDERAL FUNDS SOLD	\$ 500	\$ —
TOTAL CASH AND CASH EQUIVALENTS	\$ 3,003	\$ 3,833
SECURITIES	\$ 28,910	\$ 29,690
TOTAL LOANS	\$ 47,627	\$ 44,659
LESS: ALLOWANCE FRO LOAN LOSSES	\$ 812	\$ 720
NET LOANS	\$ 46,815	\$ 44,239
PREMISES AND EQUIPMENT	\$ 2,599	\$ 2,707
ACCRUED INTEREST RECEIVABLE	\$ 344	\$ 341
OTHER ASSETS	\$ 1,940	\$ 1,968
TOTAL OTHER ASSETS	\$ 4,883	\$ 5,016
TOTAL ASSETS	\$ 83,611	\$ 82,778
<b>LIABILITIES &amp; SHAREHOLDERS EQUITY</b>		
<b>LIABILITIES</b>		
DEPOSITS		
DEMAND	\$ 6,139	\$ 6,335
INTEREST BEARING ACCOUNTS	\$ 33,118	\$ 31,854
SAVINGS	\$ 13,849	\$ 12,590
CERTIFICATE OF DEPOSITS	\$ 15,230	\$ 17,100
IRAS	\$ 4,478	\$ 4,612
BROKERED DEPOSITS	\$ —	\$ —
TOTAL DEPOSITS	\$ 72,814	\$ 72,491
FEDERAL HOME LOAN BANK BORROWINGS	\$ —	\$ —
FEDERAL FUNDS PURCHASED	\$ —	\$ —
OTHER LIABILITIES	\$ 791	\$ 727
TOTAL OTHER LIABILITIES	\$ 791	\$ 727
<b>SHAREHOLDERS EQUITY</b>		
COMMON STOCK	\$ 1,000	\$ 1,000
SURPLUS	\$ 6,000	\$ 6,000
TREASURY STOCK	(323)	(323)
RETAINED EARNINGS	\$ 2,445	\$ 2,212
MARKET ADJUSTMENTS	\$ 228	\$ 63
ON SECURITIES AVAILABLE FOR SALE		
CURRENT EARNINGS	\$ 656	\$ 608
TOTAL STOCKHOLDERS EQUITY	\$ 10,006	\$ 9,560
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 83,611	\$ 82,778
BOOK VALUE	\$ 101.59	\$ 98.67

*\*IN THOUSANDS*

	2014	2013
<b>INTEREST INCOME</b>		
LOANS AND FEES	\$ 2,606	\$ 2,588
FEDERAL FUNDS SOLD	\$ —	\$ —
SECURITIES	\$ 726	\$ 777
FHLB DIVIDEND	\$ 11	\$ 11
TOTAL INTEREST INCOME	\$ 3,343	\$ 3,376
<b>INTEREST EXPENSE</b>		
DEPOSITS	\$ 376	\$ 441
BORROWINGS	\$ —	\$ 35
TOTAL INTEREST EXPENSE	\$ 376	\$ 476
NET INTEREST INCOME	\$ 2,967	\$ 2,900
PROVISION FOR LOAN LOSSES	\$ 120	\$ 120
NET INTEREST INCOME AFTER PROVISION	\$ 2,847	\$ 2,780
<b>OTHER INCOME</b>		
SERVICE CHARGES ON ACCOUNTS	\$ 247	\$ 261
GAIN (LOSS) ON SALE OF SECURITIES	\$ 48	\$ 37
OTHER INCOME	\$ 165	\$ 209
TOTAL OTHER INCOME	\$ 460	\$ 507
TOTAL INCOME BEFORE OPERATING EXPENSES	\$ 3,307	\$ 3,287
<b>OTHER EXPENSES</b>		
SALARIES AND BENEFITS	\$ 1,374	\$ 1,348
OCCUPANCY AND EQUIPMENT	\$ 452	\$ 347
LOSS ON SECURITIES	\$ —	\$ —
OTHER EXPENSES	\$ 701	\$ 828
TOTAL OTHER EXPENSES	\$ 2,527	\$ 2,523
INCOME BEFORE FEDERAL INCOME TAXES	\$ 780	\$ 764
FEDERAL INCOME TAX EXPENSE	\$ 124	\$ 155
NET INCOME	\$ 656	\$ 609
EARNINGS PER SHARE	\$ 6.82	\$ 6.33