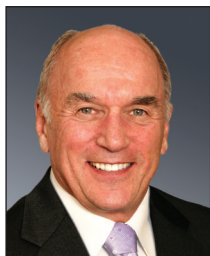




2013 ANNUAL REPORT

We are committed to enriching our members' lives while providing superior service and value.



Chairman's Report

Our mission is to enrich the financial lives of our member-owners. Throughout 2013 we underwent significant changes, including a change of leadership, and I am confident that each of these changes delivers better service and superior value to our member-owners, to the communities we serve, and to the credit union movement.

As I stated last year in my remarks at our Annual Meeting, putting our members first is paramount in everything we do at Patelco, as is doing so with integrity, passion, and trust. The board members and I take this to heart in every decision we make while serving you on Patelco's Board of Directors. It is with this in mind that we selected Erin Mendez as Patelco's new President and Chief Executive Officer.

When the Board started the search process for a new leader for Patelco, we knew we were looking for

someone who not only had the right experience, but also an ethical leader who had passion for the credit union movement. What stood out about Erin from very early on is that she is not only a very capable leader, but also a true advocate for the Patelco membership and will work tirelessly to accomplish the goals of the credit union and the movement.

Since coming on board in August of 2013, Erin has made significant strides to further strengthen Patelco – an already strong credit union -- by improving internal efficiencies, and focusing on products and services that deliver on our mission. I am confident that with Erin's leadership and expertise, and with the dedicated team members who serve our member-owners every day, that Patelco's greatest years are still ahead.

A handwritten signature in black ink that reads "Peter Hanelt". The signature is written in a cursive, flowing style.

Peter Hanelt

Chairman – Board of Directors

"I have been a member for two decades and there is no better place to bank"

Roni - Facebook



President's Report

2013 was another successful year for Patelco, made possible by you, our loyal member-owners, and the commitment you have to your credit union.

While the last several years have been difficult for many of our members, in 2013 for most of our members we saw signs of this easing. Although the economy on the whole was stronger throughout 2013, some members continued to struggle with economic pressures and we continued to help where we could. We renewed our commitment to you and focused on our mission of providing superior service and value to our members.

Many members turned to us for their borrowing needs, resulting in improved loan growth for Patelco. Our assets reached the highest they've been since 2008 topping \$4 billion in late 2013. Reaching this milestone is a tribute to our members and their support of Patelco; whom we are honored to serve. Charge-offs and delinquencies both showed a strong downward trend after highs in the years directly following the financial crisis. Net member growth once again increased in 2013, as did member participation, and member satisfaction.

We introduced new products throughout the year that provided strong value for our borrowers. We launched our 5/5 Equity Builder[®], an adjustable rate mortgage with a free biweekly payment option that allows members to build equity in their homes faster and pay off their loans sooner. We offered a secured Visa[®] Classic card that allows members who don't qualify for unsecured credit cards the opportunity to build and improve their credit,

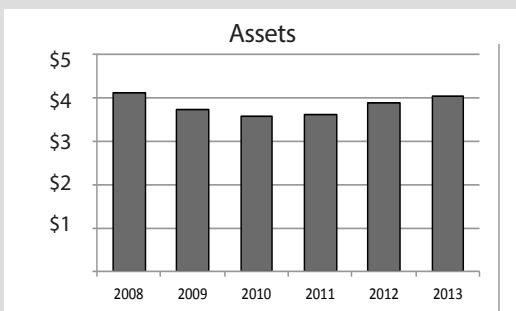
with few fees and the ability to graduate to higher credit limits and qualify for an unsecured card in the future. At the end of 2013, we brought back our Holiday Loan after a six-year hiatus, and redesigned the pricing on our unsecured signature loans.

Through the beginning of 2014, our focus has been and will continue to be on investing in products and services that help our membership. Thus far in 2014, this has included our Tax Time Loan, Thank You Certificate, the removal of balance transfer fees, and our 0% promotional rate on the Visa[®] Platinum credit card; and more product changes are scheduled in 2014 to provide options that improve your financial well-being. Simultaneously, we are also focusing on organizational improvements to better serve you, and contribute to a better financial experience.

We are proud to serve you and provide the value you need to enrich your financial lives. Our success is a direct result of how well we serve you and together we can ensure that Patelco is here for you and for generations to come. The team and I look forward to providing better service and more value to our members in 2014 and the years to come, and we thank you for your loyalty, participation, and commitment.

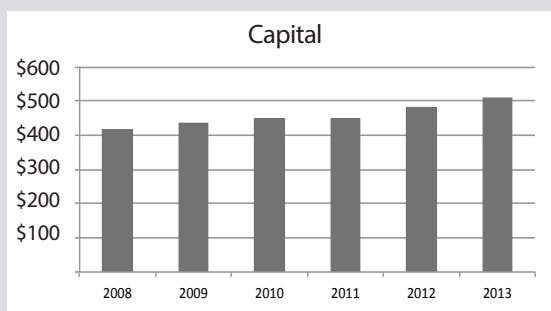
Erin Mendez
President & Chief Executive Officer

Assets once again topped \$4 billion in late 2013.



Data as of 12/31 of each year in billions of dollars

Capital has an overall trend of increasing over the past five years.



Data as of 12/31 of each year in millions of dollars

Credit Manager's Report

The economy continued to improve in 2013 with the Bureau of Labor Statistics reporting continued private payroll increases, year-over-year reduction in unemployment, and a 5-year high in car sales and residential construction permits. Patelco provided nearly 2,100 members with real estate loans to improve our members' financial condition. Another 20,000 loans were provided to the membership in the form of direct automobile or credit card products. Outstanding member loan balances (excluding business loans) grew \$200 million (13.2% compared to 6.7% in 2012) to \$1.73 billion. The total loan portfolio now exceeds \$2.3 billion.

Due to positive loan performance, the loan provision for losses was reduced \$6.3 million during the course of 2013 experiencing a modest decrease in delinquency to 1.44%.

As your new Chief Credit Officer, I will guide Patelco through creating greater business efficiency, maintaining loan performance standards, and developing products that match the needs of the membership. 2014 will also see Patelco engage in new platforms, allowing us to reward loyal members with new products and services.

We thank you for allowing us to be your financial services provider.


 Kenn Darling
 Chief Credit Officer

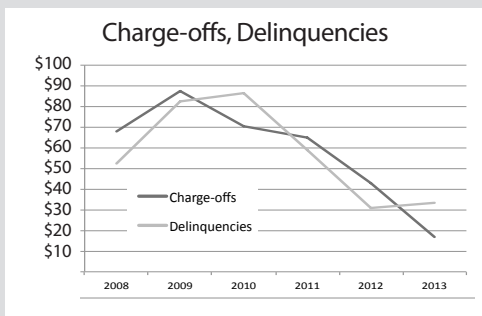
Supervisory Committee Report



The purpose of Patelco's Supervisory Committee is to ensure that the credit union safeguards its assets, complies with regulatory requirements, and maintains adequate systems of internal control and financial reporting.

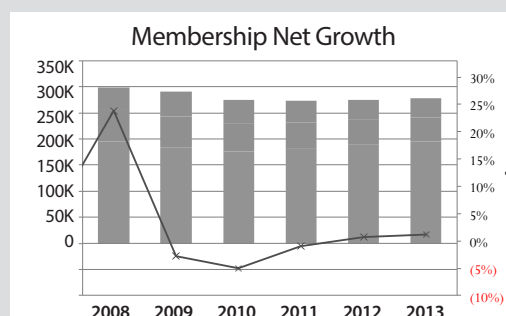
The committee has regular meetings with Patelco's internal auditor, participates in meetings with the board of directors, and examines the credit union's monthly financial reports. The committee also retained McGladrey LLP, certified public accountants, to perform an audit of Patelco's consolidated financial statements for the year ending December 31, 2013.

After a peak in 2009 for charge-offs and 2010 for delinquencies, asset quality has dramatically improved.



Data as of 12/31 of each year in millions of dollars

After a spike in 2008 followed by net membership loss in 2009 – 2011, membership is modestly growing.



Data as of 12/31 of each year

2013 Consolidated Financial Statements

For Year Ending 12/31/2013

Statement of Financial Condition

Assets

Cash and cash equivalents	\$	447,978,480
Investments		
Available-for-sale		1,155,270,409
Other		4,227,025
Loans to members, net		2,287,614,556
Accrued interest receivable		12,017,590
Property and equipment, net		5,853,794
Share insurance deposit		33,843,570
Goodwill and intangibles		24,724,277
Other assets		39,708,810
	\$	<u>4,011,238,511</u>

Liabilities and Equity

Liabilities		
Members' shares	\$	3,505,293,396
Accrued expenses and other liabilities		33,227,702
Borrowed funds		-
Total liabilities		<u>3,538,521,098</u>
Equity		
Retained earnings	\$	479,116,409
Accumulated other comprehensive income		(6,398,996)
Total equity		<u>472,717,413</u>
	\$	<u>4,011,238,511</u>

Statement of Income

Interest Income

Interest on loans to members	\$	92,847,998
Interest on investments and cash equivalents		18,672,698
		<u>111,520,696</u>

Interest Expense

Dividends on members' shares	15,098,554
Interest on borrowed funds	-
	<u>15,098,554</u>

Net Interest Income 96,422,142

Provision for Loan Losses (6,359,000)

Net Interest Income After Provision For Loan Losses 102,781,142

Net Non-Interest Income 46,654,774
149,435,916

General and Administrative Expenses

Salaries and benefits	50,337,493
Operations	25,602,893
Loan servicing	10,767,558
Occupancy	8,015,659
NCUSIF premium assessment	2,707,486
	<u>97,431,089</u>

Net Income \$ 52,004,827

Independent Auditors Issue 2013 Report

At the request of the Supervisory Committee, McGladrey LLP, certified public accountants, has performed an audit of Patelco's consolidated financial statements as of and for the year ending December 31, 2013.

In their opinion, the consolidated financial statements referred to above present fairly, in all material aspects, the consolidated financial position of Patelco Credit Union and Subsidiaries as of December 31, 2013, and the consolidated results of their operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Program Successes

2013 was a year spent finding new ways to better serve the membership and promote their financial well-being.

Switch to Save®

Switch to Save® was a program launched in one branch at the beginning of 2013. The goal was to give members the opportunity to save money by lowering their interest rates and monthly payments when they transfer auto loans and credit cards from other financial institutions. This program is now available in all branches. Close to 2,000 people participated throughout 2013 and we saved members an average of over \$1,000. Overall, our membership saved more than \$2 million through this program in 2013, and we will continue to bring the benefits of this program to more members in 2014.

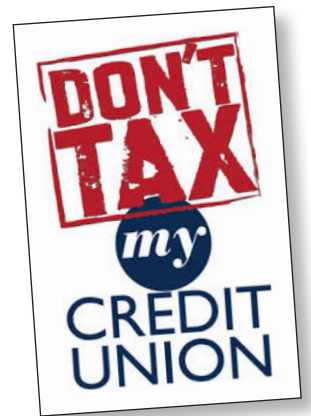


The Member Giveback

The Member Giveback was a program unique to 2013; it was specifically designed as a "thank you" to our members for their part in making 2012 the best performing year in the credit union's 77 year history. We offered discounts on auto loan rates and waived home loan lender fees and credit card balance transfer fees. By the end of 2013, the program had saved 10,390 members more than \$4 million. Additionally, more than 1,000 members attended our six regional Member Giveback events.

Don't Tax My Credit Union

As member-owners of Patelco, there are times that we need your support on issues that make the credit union charter stronger, and thereby allowing Patelco to better serve you. During the Don't Tax My Credit Union campaign, we asked our member-owners to speak out on an issue incredibly important to the credit union movement: the preservation of federal tax-exempt status for credit unions. Patelco sent emails and letters to more than 150,000 members informing them of the importance of this issue; as of December 2013, Patelco members had stepped up and written more than 20,000 letters to Congress, telling them "Don't Tax My Credit Union." Your support, along with the over one million other credit union members who also sent letters to Congress, clearly shows that together we can make a difference as the credit union's tax exemption status was preserved in the House Ways and Means Chairman Dave Camp's Tax Reform Proposal. While this is only a first step, it was a very critical one in preserving the credit union charter and its tax-exempt status.



Financial Literacy "Bite of Reality"



We continued our focus on youth financial literacy programs at local schools and organizations in a number of the communities we serve. One of the main tenets of our current youth financial literacy outreach involves the "Bite of Reality" interactive simulation which aims to teach teenagers how to manage money through real-world scenarios. "Bite of Reality" is the signature program of the Richard Myles Johnson (RMJ) Foundation, an organization dedicated to furthering the financial literacy efforts of credit unions.

Patelco partnered with the RMJ Foundation several times and organized three "Bites" throughout 2013, the most of any credit union in California, and reached more than 300 high school students.

Community Involvement

Patelco is not only a part of the community, but also served it in many ways during 2013. Our participation ranged from blood drives and charity races to care package coordination for our troops serving overseas, and fundraising efforts for victims of natural disasters. We forged new partnerships with local and national organizations and built on existing ones; throughout all of our community outreach in 2013 we focused on the credit union philosophy of “people helping people.”



Giving Back

Children’s Miracle Network & CU4Kids

Patelco was a major sponsor of the 3rd annual Credit Union Sactown Ten-Mile Run, which took place in April 2013 and raised more than \$180,000 for Children’s Miracle Network (CMN) hospitals in California and Nevada. In addition to Patelco’s sponsorship, many employees volunteered at the event and several ran in the 10 mile race.

For the second year in a row, we reached our \$25,000 fundraising goal to benefit CU4Kids and CMN Hospitals through a holiday fundraiser that took place in November and December. New to the fundraiser this year was the capability to collect donations online, through a partnership with the social fundraising and cause marketing company CafeGive.

The hundreds of thousands of dollars raised through both Patelco’s holiday fundraiser and the Sactown Ten-Mile Run went to fund needed equipment, programs, and research at CMN Hospitals, to give all children the health care they need, regardless of illness, injury, or the family’s ability to pay.



Habitat for Humanity

Our partnership with Habitat for Humanity began in 2013 with Patelco’s “Home Field Advantage” program with sports radio station 95.7 The Game. The credit union donated more than \$13,000 to Habitat for Humanity East Bay/Silicon Valley, which helped Habitat EB/SV provide affordable housing for families throughout Alameda, Contra Costa, and Santa Clara counties.

In addition to donating funds throughout the baseball season, in August 2013 we began financing home loans being sold by Habitat EB/SV to low income families and as of December 2013 had closed five loans for close to \$800,000.

In October, 30 Patelco employee volunteers participated in two playhouse builds with Habitat EB/SV on site at our corporate office. The volunteers spent half a day constructing two useable playhouses by assembling the structure, constructing the roof, and painting/decorating the walls. Blue Star Moms selected in advanced two deserving military families to receive the finished playhouses, and both families were on hand to see the finishing touches put on the structures and to meet the team that built their new playhouses.



Disaster Relief

Our “Make the Match” campaign, another partnership with CafeGive, raised more than \$15,000 for Typhoon Haiyan relief. The funds went to the Philippine Disaster Relief Fund established by the World Council of Credit Unions.

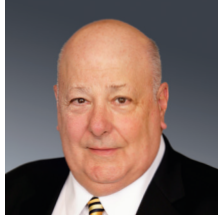
AIDS Walk

We continued our long-standing support of the San Francisco AIDS Walk again in 2013, with 42 team members on hand for the July 2013 event. The Patelco team raised \$11,755 including a \$5,000 corporate match.

Board of Directors



Peter Hanelt
Chairman
Business Consultant



John Rubino
First Vice Chairman
Walgreens (retired)



Jesse Rivera
Second Vice Chairman
Allied Fund
Administrators LLC



Tracey Scott
Secretary
Housing Executive



Colleen Cabey
Treasurer
Wholesale AT&T West



Gene Bell
Director
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Race Chen
Director
AT&T (retired)



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Director
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American Ratings
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Gerald Upson
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Lonnie Barish

WellSpring Pharma Services

Debra Chaw

California State University East Bay

Robert A. McCormish

TeamCo Advisors, LLC

Sharon Wilson

Macquarie Aircraft Leasing Services

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President
Chief Executive Officer

Ryan Misasi

Executive Vice President
Chief Retail Officer

Scott Waite

Executive Vice President
Chief Financial Officer

Kenn Darling

Senior Vice President
Chief Credit Officer

Kevin Landel

Senior Vice President
Chief Information Officer

Susan Makris

Senior Vice President
Chief Human Resources Officer

Chris Allen

Senior Vice President
Internal Audit

Jose Jimenez

Senior Vice President
Risk Management