



2015

ANNUAL REPORT





Board Chairman's Report

Patelco's vision is clear — we want to be the preeminent credit union that helps you achieve financial freedom. We pushed for this vision in 2014 by building on our foundation of exceptional value. And this foundation enabled us to put greater focus on building up your financial health in 2015.

Putting our members first is paramount to our work on the Board of Directors – this means ensuring that our products offer you superior value, as well as ensuring that our services improve your financial health. What brings the Patelco brand to life and fulfills its vision is this: a credit union that exceeds your expectations and one that rises to excellence for generations to come.

Some of you are primarily savers, some of you are borrowers, some of you use transaction services with us, and many of you make full use of all that your credit union has to offer. I believe Patelco

improves the financial health of each of these groups, and we will continue to put your best interests first.

In 2016, I look forward to a year of continued innovations, service refinements, and even greater value for you. These offerings will fortify your ability to make sound financial choices and continue to improve your financial health.

Our work goes beyond our lifetime. We may not be builders or architects whose work physically lasts beyond our lives, but we can create something lasting. Improving financial well-being for you and your family is a lasting difference we're dedicated to delivering.

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

Patelco's Vision

To be the preeminent credit union that helps our members achieve financial freedom through innovative products and services, trusted value, high reliability, and a hassle-free service experience.



President and CEO's Report

Enriching your financial well-being is our mission. As your credit union, we know that you entrust us with one of the most personal and confidential elements of your life: your finances. With each interaction and every decision, we're committed to doing what is in your best interest and that of the membership as a whole. Whether it's working with you one-on-one, or designing products for the total membership, we carefully consider how we can return value to you and improve your financial future.

Financial health is difficult to measure, but when we consider the numbers below from 2015, we take great pride in knowing we're making real differences in people's lives:

- **297,430 people entrusted us with a portion of their money and borrowing needs**
- **3,164 members bought homes with Patelco financing**
- **16,363 members purchased a new vehicle**
- **4,585 individuals switched their auto loan or credit card to Patelco and saved more than \$5.4 million**
- **\$356 million was invested in 24,039 Money Market Select accounts**
- **\$52 million was invested in 1,439 Rising Rate CDs**
- **3,957 people benefited from Timely Repayment Incentive Program (TRIP) rate reductions**
- **203 members restructured payments to make their loans more affordable during difficult personal times**

Similar to physical health, financial health means different things to different people. We understand there's no one financial plan that applies to everyone, just as there is no one

prescription that cures every illness. That's why it's so important to create a healthy financial framework that can prepare you for life's challenges and opportunities. And one of the most important elements of this framework is the Patelco team.

Our team brings Patelco to life and puts people first — our members, our partners and those we serve. I'm impressed by the innovation our team brings and extremely proud of the stories I hear from members of how their lives were transformed by one of our team members. Putting people first and revitalizing Patelco is also at the heart of Patelco. Together we focus on making a difference in your life and building Patelco to be your choice for financial services.

This year, we're celebrating Patelco's 80th Anniversary. Throughout the years, in times of both financial stability and uncertainty, you've entrusted us to help you and your family build financial well-being. It's wonderful to see generations of our members continue to rely on Patelco for help with auto-buying, home-buying or just saving little-by-little to get ahead.

And thanks to all of our members we have another reason to celebrate — during the first quarter of 2016 we grew to \$5 billion strong and now serve over 300,000 members! We have much to look forward to in 2016 and the years ahead, starting with introducing our new debit and credit cards, but more importantly our continued focus on enriching your financial health and well-being.

Erin Mendez

President & Chief Executive Officer

Patelco's Mission

We are committed to enriching our members' financial health and well-being.

Serving Your Financial Health

Your financial health is Patelco's top priority. Throughout 2015, we made product and service improvements and additions for savers, borrowers, and transaction members.

Savers

We offered many ways for you to earn more for your savings in 2015. The introduction of the Money Market Select account offered you the chance to keep your money liquid while still earning an excellent return. Additionally, we introduced several Share Certificate choices with the Rising Rate Certificate that now offers automatic rate increases year after year, as well as a blended rate based on total deposits. And in the first quarter of 2016, we introduced a promotion, 5-Year Share Certificates, for those seeking predictable, guaranteed returns.

Borrowers

In 2015, many of you turned to Patelco to save money on your loans. With the Switch2Save program, many of you saved money every month by switching your auto loans and credit card balances to Patelco. Thanks to competitive rates on home and auto loans, as well as debt consolidation loans, many of you lowered your interest rates and monthly payments. Plus, our Timely Incentive Repayment Program (TRIP) continued to bring value to those with less than the best credit, by reducing auto loan interest rates by 0.50% after 12 months of consecutive, on-time loan payments.

Transaction Members

Today's families are always on the move, to soccer games, piano recitals, get-togethers, and work events. To help you save time, we improved our Remote Deposit feature within our Mobile App, launched a new BillPay system making it easier than ever to pay anyone with a few simple clicks, and added overdraft protection in case you ran a little short on funds. Other improvements included the addition of a running balance in Mobile Banking for on-the-go financial information.



Always Listening

When it comes to your credit union, you have a strong voice. In 2015, over 15,000 members completed surveys to help improve our member experience in branch, on the phone, and online. Ongoing surveys have indicated an interest in more online self-service options to speed up interactions.

"Patelco has personal service, easy-to-use web and mobile sites, and phone systems where I can speak with someone. After 25 years, I have never ever had an issue."

– Member from Alameda, CA responding to a survey

Community Involvement

Patelco's community support continued in 2015 with a wide range of charitable, volunteer, and financial education initiatives. Patelco aimed to serve the underserved, raise money to support the Children's Miracle Network, and remain true to the credit union philosophy of people helping people.

Hunger

In an effort to abate hunger in the communities we serve, Patelco employees volunteered at several food banks and raised \$12,000 for those in need of food support. Food banks included Alameda County Community Food bank, Second Harvest in San Carlos, and Redwood Empire Food Bank.

Health

In 2015, Patelco members and volunteers helped raise over \$43,000 in support of CU4Kids and Children's Miracle Network (CMN). Fundraisers included a Shop for Miracles day, raising \$0.25 cents per debit and credit card transaction during the holiday shopping season on December 1; and International Credit Union Day that invited Patelco employees to contribute funds, which Patelco matched.

Housing

Patelco team members believe strongly in Habitat for Humanity, volunteering their time to help individuals achieve a lifelong goal of home ownership. In November 2015, team members helped a fellow teammate meet her Habitat for Humanity sweat equity hours, ensuring her dream of home ownership in 2016. Other Habitat for Humanity fundraisers included the Cycle of Hope, a 3,400 mile bike ride from San Francisco to Lafayette, Georgia.

Financial Literacy

Patelco's Financial Literacy Specialists taught financial concepts and skills to hundreds of community members in 2015. Patelco helped Habitat for Humanity graduate 22 people from its Home Buyers' Club to become homeowners. In addition to developing financial content, the team presents it via skits and interactive activities, helping people deal with issues like student debt and learn the logistical steps of budgeting and saving. In 2015, they presented at nonprofits like the YWCA and at Bay Area universities, including Mills College, Cal State East Bay, San Francisco State, and Chabot College.



"Before the conference, the idea of taking the first step was overwhelming. After Veronica's talk... I realized I don't need to feel bad. I'm not alone."

– Attendee at the Young Women and Money Conference, and now a new member at the Hayward branch

Sharing Financial Literacy

The Patelco Community Outreach Team takes financial literacy into the community, helping improve financial health. Eager students joined classes at Habitat for Humanity, local colleges, and financial conferences where our Financial Literacy Specialists gave practical advice for getting on track financially.

Supervisory Committee Chair's Report

The Supervisory Committee provides valuable oversight in monitoring Patelco Credit Union's financial safety and soundness, ensuring the safeguarding of its assets, and overseeing Patelco's compliance with various financial and regulatory requirements. In fulfilling these responsibilities, the Committee holds quarterly meetings to review Internal Audit reports, examinations by regulatory agencies, as well as other third party reports on internal controls. The Committee also participates in meetings with the Board of Directors, and reviews the Credit Union's monthly financial reports. In addition, the Committee appointed the independent audit firm of Moss Adams LLP to perform an audit of

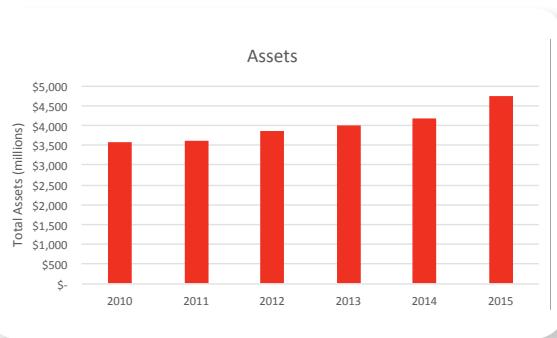
Patelco's consolidated financial statements for the year ending December 31, 2015. The results of this audit are reflected in their Independent Auditor's Report, which appears in the Annual Report, and the Committee is in agreement with its conclusions. We wish to express our appreciation to the Board of Directors, management and staff for their continued support.

Debbie Chaw

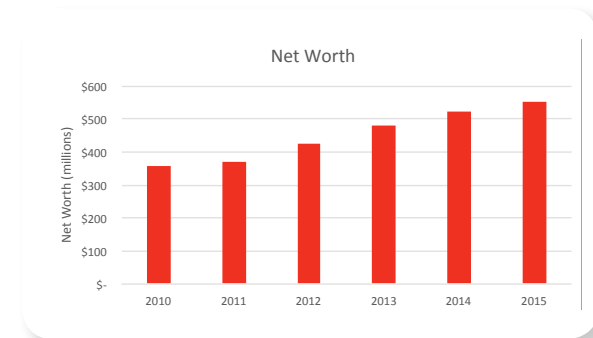
Debbie Chaw

Chairperson – Supervisory Committee

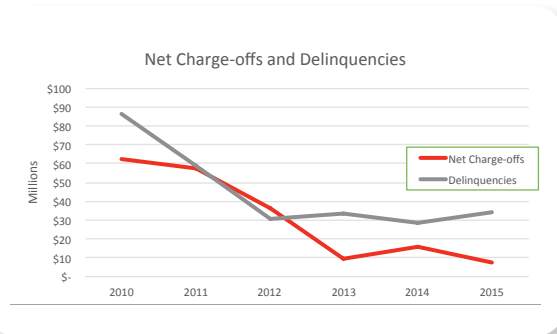
Key Performance Figures



Assets increased further to \$4.7 billion in 2015.



Net worth has been increasing over the last 5 years.



Asset quality has dramatically improved.



Membership is growing at an increasing pace.

"Both my husband and I worked very hard to improve our credit scores. It took us only a year... We will continue to praise Patelco for giving us a chance!"

- Retired member from San Leandro, CA

Timely Repayment Incentive Program (TRIP)

Credit scores are a part of modern life. TRIP helps members improve their scores and lower their monthly loan payments by lowering their interest rate 0.50% APR after 12 consecutive on-time loan payments. It's an incentive that has helped many families improve their financial health.

2015 Consolidated Financial Statements

For Year Ending 12/31/2015
(In Thousands)

Statement of Financial Condition

Assets

Cash and cash equivalents	\$	273,297
Investments		
Available-for-sale		1,143,338
Other		23,067
Loans to members, net		3,178,147
Accrued interest receivable		12,158
Property and equipment, net		8,751
Share insurance deposit		36,922
Goodwill and intangibles		24,410
Other assets		41,574
	\$	<u>4,741,664</u>

Liabilities and Equity

Liabilities		
Members' shares	\$	4,076,803
Borrowed funds		80,000
Accrued expenses and other liabilities		55,741
Total liabilities		<u>4,212,544</u>
Equity		
Retained earnings	\$	552,003
Accumulated other comprehensive loss		(22,883)
Total equity		<u>529,120</u>
	\$	<u>4,741,664</u>

Statement of Income

Interest Income

Interest on loans to members	\$	111,623
Interest on investments and cash equivalents		16,833
		<u>128,456</u>

Interest Expense

Dividends on members' shares		19,271
Borrowings		624
		<u>19,895</u>

Net Interest Income 108,561

Provision for Loan Losses 16,523

Net Interest Income After Provision For Loan Losses 92,038

Non-Interest Income 44,291

Non-Interest Expenses

Salaries and benefits		58,657
Operations		28,194
Loan servicing		10,699
Occupancy		8,592
		<u>106,142</u>

Net Income \$ 30,187

Independent Auditor's Report

At the request of the Supervisory Committee, Moss Adams, certified public accountants, has performed an audit of Patelco's consolidated financial statements as of and for the year ending December 31, 2015. In their opinion, the consolidated financial statements above

present fairly, in all material aspects, the consolidated financial position of Patelco Credit Union and Subsidiaries as of December 31, 2015, and the results of their operations for the year then ended, in accordance with U.S. generally accepted accounting principles.

Anywhere, Anytime Access

Regardless of where you are on the globe, you have access to your financial life anytime, anywhere. Next-generation ATMs that use driver's licenses in addition to ATM and debit cards, along with upcoming advances in Online Banking and Mobile Banking, keep you in control of your money anytime and anywhere.

"I can do everything I need to do with Patelco – and I don't even live in California anymore."

- Longtime member from Brooklyn, NY

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CPA



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