

Leadership Team



Patelco President and Chief Executive Officer, Erin Mendez (center) with the Board of Directors and Supervisory Committee. L to R: Robert A. McCormish, Trevor Thomas, Sharon Wilson, Peter Hanelt, Race Chen, Jeff Parks, Tracey Scott, Jesse Rivera, Erin Mendez, Garick Zillgitt, Colleen Cabey, Lonnie Barish, Vickie Rath, John Rubino, and Debbie Chaw. **Not pictured:** Gerald Upson.

Board of Directors

Peter Hanelt
Chairman
Business Consultant
CPA

Vickie Rath
First Vice Chair/
Treasurer
American Ratings Corporation

Jesse Rivera
Second Vice Chair
Segal Consulting

Tracey Scott
Secretary
Housing Executive

Colleen Cabey
Director
Attorney at Law

Race Chen
Director
Consultant

Jeff Parks
Director
RPM Mortgage

Gerald Upson
Director
Tax Consultant

Garick Zillgitt
Director
Insurance Executive

John Rubino
Director Emeritus
Walgreens (retired)

Supervisory Committee

Debbie Chaw
Chairperson
Cal State East Bay

Lonnie Barish
WellSpring Pharma
Services

Robert A. McCormish
TeamCo Advisors, LLC

Trevor Thomas
OpenX

Sharon Wilson
Macquarie Aircraft
Leasing Services

Executive Team

Erin Mendez
President
Chief Executive Officer

Chris Allen
Senior Vice President
Chief Risk Officer

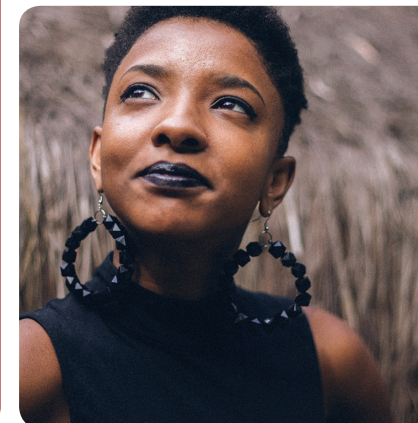
Deborah Colby
Senior Vice President
Planning & Member
Experience

Sue Gruber
Senior Vice President
Chief Financial Officer

Kevin Landel
Senior Vice President
Chief Information Officer

Susan Makris
Senior Vice President
Chief Human Resources
Officer

Melissa Morgan
Senior Vice President
Chief Retail Officer





Board Chairman's report

As much as we're proud of 2016's progress, there's one thing that remains the same: supporting your journey to building financial health and well-being.

The Board of Directors' role is to assure we fulfill our vision: to be the preeminent credit union that empowers you to achieve financial freedom. How do we do that? By listening, by cooperating with each other, and by empowering you.

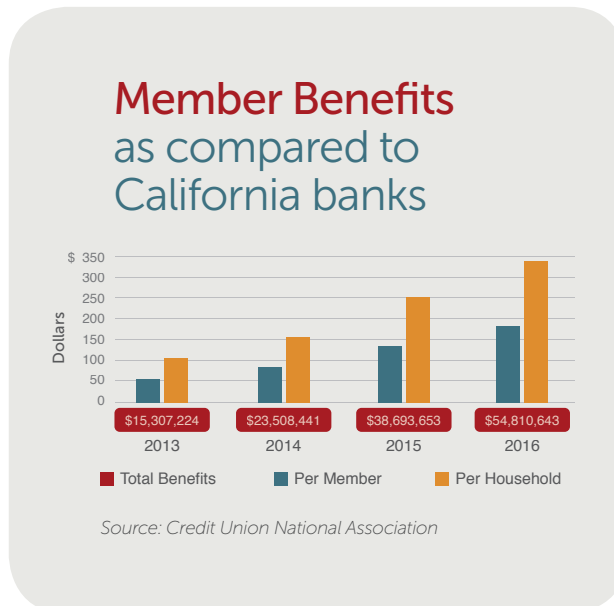
When we listen to you, we learn about your unique financial opportunities and challenges. And when we listen to each other as team members, we discover more ways to help you meet these opportunities and challenges. All of us – from our branches to our investment group to our call center – cooperate each day to help you access superior financial tools that improve your well-being. We also seek opportunities to talk to you and build your financial knowledge.

Armed with superior financial tools and the knowledge to use them, you can make financially sound actions today that contribute to your

long-term financial health. That's why we're continuing to introduce new self-service options, to streamline our applications and our service processes, and to offer you excellent rates. Our rates – combined with your sound decisions – help you save significantly compared with area banks.

In 2017, I look forward to a year of even greater empowerment. Our vision will guide us this year and into the future, as we work together to build up financial well-being for you and your family.

Peter Hanelt
Chairman – Board of Directors



Our vision

To be the preeminent credit union that empowers our members to achieve financial freedom.



President and CEO's report

In 2016, we reaffirmed our mission to build the financial health and well-being of you, our members. Now more than ever, we are dedicated to offering you products and services that help you live your financial life better.

Building financial health is about achieving financial freedom, the freedom from worry about money. It's about making sure you have the financial structure you need today, tomorrow, and in the future – so you can live comfortably and enjoy your life. While we cannot eliminate all financial concerns, we endeavor to help you find a place that's comfortable for you and your family.

In 2016, we invested in our members' financial health by providing a special 5-year Share Certificate well above market rates; we continued our Money Market Select account that offers great rates on lower balances so all members can participate in better earnings; we revamped our overdraft process to decrease the total number of fees charged; and we continued to provide low rates on our loan products (mortgage, auto, personal, and debt consolidation) for our borrowers' better payment management.

We also made a major debit and credit card transition. Moving to the Mastercard platform allowed us to funnel significant savings into our new and much-enhanced Patelco Rewards Program. You benefit from the Program's increased rewards, plus enjoy some of the lowest credit card balance rates in the nation – making our cards far more valuable than many large institutions' cards.

While this switch was not without its issues and received mixed reviews, I truly appreciated your feedback and patience during the transition (although trying at times for you). We learned from this experience, and are dedicated to improving our execution and delivery to you going forward.

In 2016, a membership benefits survey conducted by Credit Union National Association (CUNA)

found that, on average, Patelco provided you financial benefits of \$181 per member or \$344 per household over banking institutions. We are proud to serve you and make a difference in your financial well-being, and we thank you for your continued loyalty.

Moving forward, our focus remains on fueling hope and opportunity for a lifetime of financial well-being. This year, we will introduce our new online banking platform, Patelco Online. This modernization of the way you conduct banking will include all the key features you enjoy today, plus an easy-to-use interface, new money management tools, and enhanced security.

Our team is currently undergoing training and using this platform so that we are prepared to be by your side as you navigate and enhance the way you interact with us online. And we continue to be committed to providing you exceptional loan and share rates.

Thank you for allowing us to be a part of your lives and entrusting us to do the right thing for you, our team, and our communities – now and in the future.

Erin Mendez
President & Chief Executive Officer

Our mission

To build our members' financial health and well-being.

We will empower you to...

MANAGE EFFECTIVELY

Manage your day-to-day financial life simply, comfortably, and securely.

BE RESILIENT

Be resilient to life's ups and downs by guiding you to save diligently and borrow responsibly.

SEIZE OPPORTUNITIES

Seize opportunities to strengthen your financial future by inspiring you to plan purposefully.

RISE UP

Achieve financial freedom.

Building financial health and well-being is a journey with many stepping stones along the way – and we're committed to going on that journey with you. We embody this commitment in the Patelco Promise: to fuel hope and opportunity by empowering you to live your best financial life.

To empower you to **manage your day-to-day finances effectively**, we offer services including text and email alerts that keep you on top of your money. We also offer an overdraft line of credit to help you avoid paying NSF fees. And in 2017, we'll debut **Patelco Online**, our all-new and much-improved online banking platform.

To empower you to **be resilient to life's ups and downs**, we help you save more with an industry-beating Money Market Select account. Our credit cards also have highly competitive interest rates: according to the Credit Union National Association, our 2016 credit card rates were over 7% lower on average than California banks' rates.

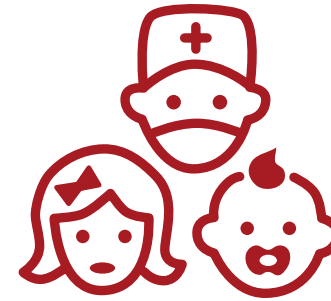
To empower you to **seize opportunities to strengthen your financial future**, we offer access to BALANCE Financial Fitness and other financial education programs. In 2017 we're introducing Patelco Insurance Services to help you better protect and plan for your family.

These tools empower you to **rise up to achieve financial freedom**. We extend these promises to you and your family, and we're dedicated to being with you through 2017 and on your entire journey!

Our promise

To fuel hope and opportunity for lifelong financial well-being.

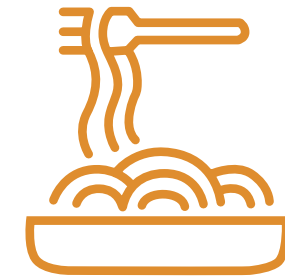
Community involvement



\$200,000

To support healthy children in our community

We donate to Children's Miracle Network to support local hospitals, and to Bernal Community Park to support youth sports.



\$12,700 + 3,300 Pounds of food

To nourish families in our neighborhoods

We donate to local community food banks to fight hunger and provide healthy family nutrition.



\$30,000 + 100 Hours

To provide affordable housing in our area

We donate funds and volunteer hours to Habitat for Humanity to build homes for people who could not otherwise afford housing.



1,215 People

Benefitted from our financial literacy programs

We support financial literacy to empower people to improve their financial health, including giving courses at local colleges.

Patelco Sports Complex at Bernal Community Park

Since opening in October 2016, the Patelco Sports Complex at Bernal Community Park in Pleasanton has hosted over 800 games for more than 50 youth sports clubs. As a supporter of children's health we want to provide space for youth to develop healthy habits. The Patelco Sports Complex also encourages our community's youth to develop teamwork – a core value of our credit union.

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, 2016. 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

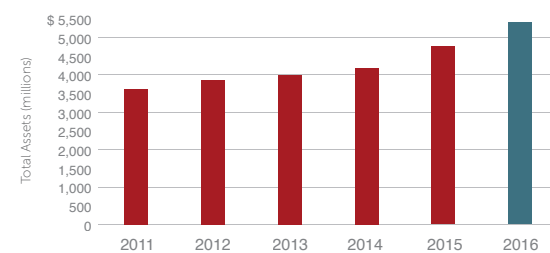
Debbie Chaw

Chairperson – Supervisory Committee

Key performance figures

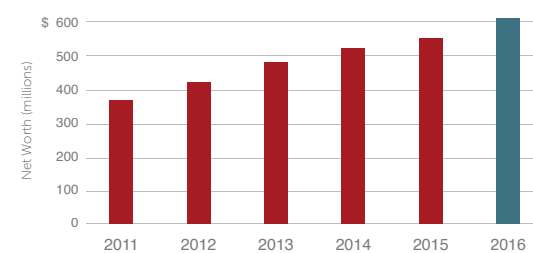
ASSETS

Assets increased further to \$5.46 billion in 2016



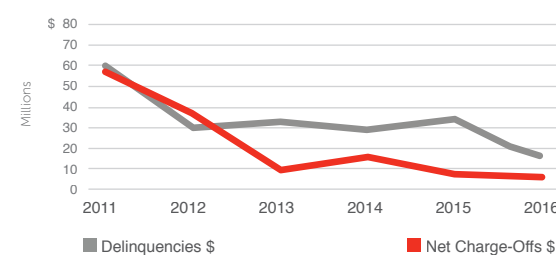
NET WORTH

Net worth has been increasing over the past 6 years



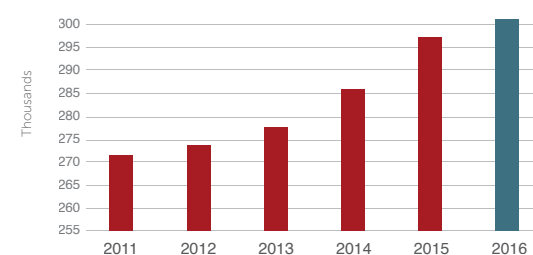
NET CHARGE-OFFS AND DELINQUENCIES

Asset quality has dramatically improved



TOTAL MEMBERSHIP

Membership is growing at an increasing pace



2016 Consolidated Financial Statements

For Year Ending 12/31/2016 (In thousands)

Statement of Financial Condition

Assets

Cash and cash equivalents	\$	366,228
Investments		
Available-for-sale		1,351,434
Other		22,966
Loans to members, net		3,589,538
Accrued interest receivable		13,427
Property and equipment, net		9,368
Share insurance deposit		43,408
Goodwill and intangibles		24,410
Other assets		42,776
Total Assets	\$	5,463,555

Liabilities and Equity

Liabilities

Members' shares	\$	4,747,051
Borrowings		80,000
Accrued expenses and other liabilities		61,270
Total liabilities	\$	4,888,321

Equity

Retained earnings		601,269
Accumulated other comprehensive loss		(26,035)
Total equity		575,234

Total Liabilities and Equity **\$ 5,463,555**

Statement of Income

Interest Income

Interest on loans to members	\$	131,077
Interest on investments and cash equivalents		22,042
		<u>153,119</u>

Interest Expense

Dividends on members' shares	\$	29,917
Borrowings		1,379
		<u>31,296</u>

Net Interest Income **121,823**

Provision for Loan Losses **8,725**

Net Interest Income After Provision for Loan Losses **113,098**

Non-Interest Income **45,114**

Non-Interest Expenses

Salaries and benefits	\$	59,708
Operations		31,049
Loan servicing		8,885
Occupancy		9,304
		<u>108,946</u>

Net Income **\$ 49,266**

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, 2016. 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, 2016, and the results of their operations for the year then ended, in accordance with U.S. generally accepted accounting principles..

PATELCO'S SUPERIOR VALUE

	Patelco Points Rewards World Mastercard®	Chase Sapphire Preferred®	Citi ThankYou® Preferred
Annual fee	\$0	\$95	\$0
APR starts at	8.65%	16.49%	14.24%
Balance transfer fee	0%	5%	3%
Gas and grocery	2 points / \$	1 point / \$	1 point / \$

Information current as of April 7, 2017.

Patelco Points Rewards: better than banking

We're proud of our financial performance. Here's something else we're proud of: improving your Patelco credit card performance. Moving to the Mastercard platform has allowed us to funnel significant savings into our new and much-enhanced Patelco Rewards Program. You benefit from **increased rewards** and **some of the nation's lowest credit card balance rates** – making our cards more valuable than many large institutions' cards.