Patelco’s Mission

We are committed to enriching our members’ financial well-being while providing superior service and value.

Board Chairman’s Report

Patelco’s mission is clear - we are committed to enriching our members’ financial well-being while providing superior service and value. After settling in to the significant changes that took place in 2013, in 2014 we returned to our roots and began building on our foundation of exceptional service and value that we offer our member-owners and the communities that we serve.

As I have stated before, putting our members first is paramount in everything we do at Patelco, as is doing so with integrity, passion, and trust. As the leader of your Board of Directors, I am committed to ensuring that the board members and I evaluate every decision based on its benefit to Patelco’s member-owners. It is through this lens that we evaluated all of Patelco’s products and services and were able to give back significant returns to our members in 2014. The design of the fee reduction and other member centric programs were created with your best interests as our driving force.

2014 was also a year of internal growth for Patelco. Erin led the team through a year of organizational and cultural transformation with a focus on structuring a leadership team committed to building the skill set and expertise of the Patelco team members that serve you every day. With her leadership, the team continues to innovate with a reinvigorated drive, pushing Patelco to strong financial performance while delivering on our mission. Not only is she a true advocate for the Patelco membership, she is instilling her passion for Patelco and the Credit Union movement in her team.

As we look forward, I am confident that with Erin’s leadership and the dedication of the team members 2015 will be one of Patelco’s greatest years. I look forward to a year of innovation, and continued improvements in member service and the value we provide our member-owners.

Peter Hanelt
Chairman – Board of Directors
Credit Unions were founded at a time when most Americans did not have access to financial services and credit. The charter design of credit unions was simple; a financial cooperative to provide credit for provident purposes for those of moderate means. The founding principles were simple too; “People helping people” and “not for profit, not for charity, but for service.” These tenets epitomize the credit union difference.

Today at Patelco we are committed to revitalizing these founding principles, with a mission to enrich our members’ financial well-being while providing superior service and value. Although at times we may fall short on this mission, we endeavor to do what is right for our members and what is in their best interests. In 2014, we embraced the credit union difference and ensured that improving our members’ financial well-being was our highest priority. 2014 was a great year for our membership and our successes were only made possible by the support of our loyal member-owners and the commitment you have to Patelco. In 2014, we introduced new products throughout the year targeted to make a difference in your financial well-being. After years of low savings rates, we offered a Thank You Certificate of Deposit to help you get a better return on your savings, while rewarding you for your length of membership. We implemented a 0% Visa Platinum credit card promotion while eliminating the balance transfer fees to enable our members to have a better opportunity to repay higher rate credit. We continued our Switch to Save program, providing members the opportunity to reduce credit card and auto loan rates by moving their loans to Patelco. To date, our Switch to Save program has helped nearly 10,000 members by reducing their “life of loan” interest by nearly $10 million. We implemented two new auto loan programs; one designed to reduce your auto loan rate after 12 consecutive months of repayment, and the other to create a no-hassle-experience when purchasing your vehicle. We introduced an overdraft line of credit for your checking account to help you avoid inadvertent overdrafts and the related NSF fee, and we eliminated 39 member-paid fees to improve the value of your checking services allowing your money to work for you.

In addition to these new products and promotions, we implemented a number of infrastructure improvements to ensure the longevity and stability of Patelco. We launched a business continuity plan along with an IT security assessment, ensuring the safety and security of your finances at all times. We upgraded the Mobile Deposit platform to provide a reliable experience when using our self-serve mobile banking app. We invested in the team that serves you by updating their equipment, tools and training, reigniting their focus on building product knowledge and expertise to meet your growing needs.

As we head into 2015, we will continue to invest in new and enhanced products and services to support and enrich your financial well-being, embracing the Credit Union difference and putting you first in everything we do. While 2014 was a year of rebuilding Patelco to better serve you, in 2015 and beyond we will turn our focus to providing you with innovative solutions to enrich your financial well-being. 2016 is Patelco Credit Union’s 80th anniversary. We have a rich history as a credit union serving our members and communities. Our ongoing success as a credit union relies on how well we serve you, and with your support we will continue the legacy of commitment to our membership. We are proud to be your trusted financial institution and are honored to serve you. On behalf of the Patelco team, we thank you for your participation in Patelco’s products & services, your membership, and for all you do to build a strong Patelco for our members today and for generations to come!

Erin Mendez
President & Chief Executive Officer

“Patelco is a great financial institution. Doesn’t feel big bank but rather small and personal.”

Brentwood Branch Member
2014 was a year of surprises, few economists predicted the 10-year US treasury yield would fall to 2.17% by year end, or that oil prices would fall over 45%. The US economy achieved another year of +2% GDP growth and consistent employment gains. Patelco provided nearly 2,820 first and second lien mortgage loans to members; 370 of those loans assisting our members with a new home purchase. In addition, we improved our consumer loan product offerings for members to include Auto Convenience Checks, Timely Repayment Incentive Program, Over-Draft Protection, and offered a 0% interest rate, for a promotional period, on our credit card product. As a result, outstanding member loan balances grew by over $535 million. The total loan portfolio grew by 22.3% over 2013 and now exceeds $2.8 billion.

As your Chief Credit Officer, I will continue to guide Patelco through creating greater business efficiency, maintaining loan performance standards, and developing products that match the needs of the membership. 2015 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

The purpose of Patelco’s Supervisory Committee is to ensure 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 Moss Adams, certified public accountants, to perform an audit of Patelco’s consolidated financial statements for the year ending December 31, 2014.

Kenn Darling
Chief Credit Officer

Assets increased further to $4.2 billion in 2014.

Capital has been increasing over the last 5 years.
2014 Consolidated Financial Statements

For Year Ending 12/31/2014
(In Thousands)

Statement of Financial Condition

Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$183,469</td>
</tr>
<tr>
<td>Investments</td>
<td></td>
</tr>
<tr>
<td>Available-for-sale</td>
<td>$1,041,439</td>
</tr>
<tr>
<td>Other</td>
<td>$29,668</td>
</tr>
<tr>
<td>Loans to members, net</td>
<td>$2,819,046</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>$11,933</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>$5,092</td>
</tr>
<tr>
<td>Share insurance deposit</td>
<td>$34,783</td>
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<tr>
<td>Goodwill and intangibles</td>
<td>$24,439</td>
</tr>
<tr>
<td>Other assets</td>
<td>$44,486</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$4,194,355</strong></td>
</tr>
</tbody>
</table>

Liabilities and Equity

Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members’ shares</td>
<td>$3,638,253</td>
</tr>
<tr>
<td>Accrued expenses and other liabilities</td>
<td>$49,514</td>
</tr>
<tr>
<td>Borrowed funds</td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>3,687,767</strong></td>
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</table>

Equity

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retained earnings</td>
<td>$521,816</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>(15,228)</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td><strong>506,588</strong></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>506,588</strong></td>
</tr>
</tbody>
</table>

**Total liabilities and equity**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td><strong>$4,194,355</strong></td>
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</tbody>
</table>

Statement of Income

Interest Income

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on loans to members</td>
<td>$111,988</td>
</tr>
<tr>
<td>Interest on investments and cash equivalents</td>
<td>$15,558</td>
</tr>
<tr>
<td><strong>Total interest income</strong></td>
<td><strong>116,546</strong></td>
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</table>

Interest Expense

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends on members’ shares</td>
<td>$14,348</td>
</tr>
<tr>
<td><strong>Net interest income</strong></td>
<td><strong>102,198</strong></td>
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</table>

Provision for Loan Losses

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Provision for loan losses</strong></td>
<td><strong>3,361</strong></td>
</tr>
</tbody>
</table>

Net Interest Income After Provision For Loan Losses

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net interest income after provision for loan losses</strong></td>
<td><strong>98,837</strong></td>
</tr>
</tbody>
</table>

Non-Interest Income

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total non-interest income</strong></td>
<td><strong>42,178</strong></td>
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</tbody>
</table>

Non-Interest Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and benefits</td>
<td>$53,471</td>
</tr>
<tr>
<td>Operations</td>
<td>$25,134</td>
</tr>
<tr>
<td>Loan servicing</td>
<td>$11,099</td>
</tr>
<tr>
<td>Occupancy</td>
<td>$8,612</td>
</tr>
<tr>
<td><strong>Total non-interest expenses</strong></td>
<td><strong>98,316</strong></td>
</tr>
</tbody>
</table>

Net Income

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income</strong></td>
<td><strong>$42,699</strong></td>
</tr>
</tbody>
</table>

Independent Auditors Issue 2014 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, 2014. 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, 2014, 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.

![Charge-offs, Delinquencies](image)

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

![Net Membership Growth](image)

After loss of membership during 2009-2011, membership is growing at an increasing pace.
Creating Value for Our Members

2014 was a year of continued improvement and product development to serve our membership’s best interest and the members’ financial well-being.

Timely Repayment Incentive Program (TRIP)

TRIP was designed to offer members who do not initially qualify for our lowest interest rates on a vehicle, signature or consolidation loan, an option to reduce their rate through consecutive timely payments over a 12-month period. Through this program we have helped over 3,500 members save just over $385,000 in 2014.

39 Fee Elimination

We believe in providing tangible financial value to our member-owners. As we looked for ways to increase our member value, we found 39 fees that did not align with our focus on doing what’s best for our members. By eliminating all 39 of these fees, members received nearly $800,000 in annual savings.

Waived Balance Transfer Fees

As part of our 39 fee initiative, we eliminated Balance Transfer fees on credit cards, providing members a convenient low cost way to benefit from our lower rate credit card products, confirming our commitment to enriching the financial lives of our membership.

Overdraft Protection

We were pleased to offer eligible members a reduced rate overdraft line of credit tied to new checking accounts, saving them from returned checks and returned check fees – with no overdraft or cash advance fees tied to this service!

Instant Issuance Cards in Branches

In 2014 all of our branches received instant issuance debit and credit card machines to remove the obstacle of waiting for cards to be received by mail. Our goal is to help protect our member’s valuable time and provide immediate access to their money.

Auto Convenience Checks

To save our members’ time and trouble, we instituted a faster, easier way to purchase a vehicle. By providing an Auto Convenience Check for the member’s approved auto loan amount, they are free to use this innovative service when purchasing from a dealer or private party to save time and eliminate hassle.

Improvements to Mobile Services

We enhanced our mobile apps for iPhones and Android phones. Improvements to remote deposit functionality were driven by our vision to provide a hassle-free service experience, no matter the channel of access. With the improved mobile deposit function we saw an increase of 115% in the mobile app usage over 2013. We increased the speed of our members’ deposits and helped almost 40,000 member-owners deposit just over $227 million through their phones! Look for continued mobile app advancements in 2015.

Switch to Save

Launched in 2013, Switch to Save continued to gain momentum in 2014 by providing members the opportunity to save money through lower interest rates and monthly payments when they transfer auto loans and credit cards from other financial institutions. In 2014, close to 10,000 people saved nearly $10 million.
Patelco Serving Our Community

In 2014, Patelco's support of the communities we serve ranged from days volunteering at our local food banks and building playhouses for children, to educating underserved communities about financial basics and raising money to support the Children's Miracle Network. Staying true to the credit union philosophy, we put an emphasis on “people helping people” in 2014.

Children’s Miracle Network & CU4Kids

Through a partnership with our members, branches, headquarters and other corporate sponsors, we were able, through our annual Holiday Snowman Drive, to raise $25,000 in support of CU4Kids and Children’s Miracle Network (CMN). These programs are designed to provide funds and resources to give all children the health care they need, regardless of illness, injury or the family’s ability to pay. In addition to our annual holiday fundraiser, Patelco team members participated as one of many supporters in a variety of programs helping to raise over $1 million for this worthy cause.

Habitat for Humanity

We are now in our second year of partnership with Habitat for Humanity. Through a partnership with the Oakland A’s, we generated $12,550 to help Habitat for Humanity provide affordable housing for families throughout Alameda, Contra Costa and Santa Clara counties. We continued to be the primary lender for homes being sold by Habitat EB/5V to low income families, providing over $1.4 million in Habitat Loans in 2014. Patelco team members also participated in Habitat for Humanity’s playhouse program, with our donation of labor and funds providing a fun escape for the children at the Children’s Hospital of Oakland.

Community Volunteer Days at Local Food Banks

We continued our long-standing support of local food banks across the Bay Area again in 2014. The Patelco team volunteered at and donated $1,000 to five local food banks; Project Open Hand, Second Harvest Food Bank, Alameda County Food Bank, Contra Costa & Solano Food Bank, Redwood Empire Food Bank, and River City Food Bank.

Bites of Reality

We continued to support youth financial literacy programs at local schools and organizations in a number of the communities we serve through our sponsorship of the “Bite of Reality” program of the Richard Myles Johnson (RML) Foundation. This organization, dedicated to furthering the financial literacy efforts of credit unions, partners with credit unions to put on interactive simulations teaching teenagers how to manage money through real-world scenarios.
Board of Directors

Peter Hanelt  
Chairman  
Business Consultant

Jesse Rivera  
First Vice-Chairman  
Allied Fund Administrators LLC

Tracey Scott  
Second Vice Chairman  
Housing Executive

Colleen Cabey  
Treasurer  
Wholesale AT&T West

Jeff Parks  
Secretary  
RPM Mortgage

Gene Bell  
Director  
Pacific Telesis (retired)

Race Chen  
Director  
AT&T (retired)

Vickie Rath  
Director  
American Ratings Corporation

John Rubino  
Director  
Walgreens (retired)

Gerald Upson  
Director  
Tax Consultant

Garick Zillgitt  
Director  
Rockhill Insurance Company

Supervisory Committee

Debra Chaw  
Chairman  
California State University East Bay

Lonnie Barish  
Wellspring Pharma Services

Robert A. McCormish  
TeamCo Advisors, LLC

Trevor Thomas  
OpenX

Sharon Wilson  
Macquarie Aircraft Leasing Services

Executive Team

Susan Gruber  
Senior Vice President  
Chief Financial Officer

Jose Jimenez  
Senior Vice President  
Risk Management

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