

Leadership Team



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

Board of Directors

Peter Hanelt
Chairman
Business Consultant CPA

Jeffrey Parks
First Vice Chair
RPM Mortgage

Garick Zillgitt
Second Vice Chair
Insurance Executive

Jesse Rivera
Treasurer
Segal Consulting

Colleen Cabey
Secretary
Attorney at Law

Lonnie Barish
Director
Wellspring Pharma
Services

Laura Chambers
Director
Business Executive

Debbie Chaw
Director
Cal State East Bay

Race Chen
Director
Consultant

Robert McCormish
Director
TeamCo Advisors, LLC

Vickie Rath
Director
Financial Consultant

Tracey Scott
Director
Housing Executive

Trevor Thomas
Director
OpenX

Sharon Wilson
Director
Macquarie Aircraft Leasing
Services

John Rubino
Director Emeritus
Walgreens (retired)

Executive Team

Erin Mendez
President
Chief Executive
Officer

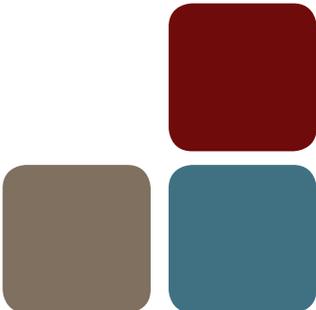
Chris Allen
Senior Vice President
Chief Risk Officer

Susan 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



2017

Annual Report





Board Chairman's report

As we begin 2018, our vision is clear: for Patelco to be a leading credit union where members and financial health come first.

Putting our members first is paramount to our work on the Board of Directors. For the immediate term, this means ensuring that our products offer superior value, and that our services improve our members' financial wellness.

For the future, this means continuing to build capital strength to ensure that generations of members can bank with an institution looking out for them. By the end of 2017, we had reached \$6 billion in assets. This places Patelco well within the top 1% of successful credit unions in the United States. We're proud of reaching this milestone, and proud of what it means for the future of Patelco.

Besides building up our capital strength in 2017, we also returned more and more to our members and our community. Part of this was our better-than-market loan and savings rates over the past year. But 2017 was an especially significant year because of the hurricanes, wildfires, and

other disasters that affected our local California communities as well as our members outside the state. We made significant contributions to affected areas through making direct donations, deferring thousands of loans, and doing outreach events in the North Bay.

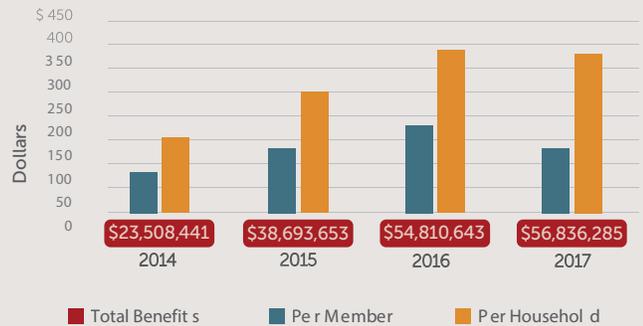
Our work goes beyond our own lifetime, and by putting our communities and members first, we can create something lasting. Improving your and your family's financial wellness is a lasting difference we're dedicated to delivering.

Peter Hanelt
Chairman – Board of Directors

Our vision

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

Member Benefits as compared to California banks



Source: Credit Union National Association



President and CEO's report

We finished 2017 with a new high of 325,377 members, who've entrusted us with over \$5.2 billion in deposits and over \$6 billion in assets. But as good as these numbers are, that's not what drives us. What's really at the heart of Patelco is being the credit union of choice for financial wellness and building it for our members.

In 2017, we were able to support our member's financial well-being by providing direct financial benefits through better rates and fewer fees, modernizing our digital services, and helping our members and community recover from unexpected events.

All members benefited from our lower loan rates, higher savings rates, and fewer fees – as compared to banking institutions in the California communities we serve. According to the Credit Union National Association (CUNA), Patelco provided over \$56 million of financial benefits to members in 2017. On average, a member saved \$180 in 2017 by choosing Patelco membership instead of banking with a big bank. And for those members that use our services extensively, CUNA estimates they received an average of \$1,078 in benefits. These benefits are spread across all our offerings – so members saved whether using a credit card, financing a car, buying a home with us, or simply saving their money.

In 2017 we made the biggest progress yet on our digital journey: we modernized our online banking platform by introducing Patelco Online™. Keeping current with today's growing digital world was the driving force for making this change. Our original online banking platform had become outdated and was unable to support the advanced features and functions many members have requested. While making this change was difficult for many members, undertaking this change was done with an eye towards the future. We've heard a lot of feedback from members about Patelco Online™ – about one third love it, one third are okay with it, and one third are yearning for the old platform. We aim to move more members into the "love it" camp in 2018. To that end, in the fourth quarter of 2017 we hired our first vice president of digital delivery – someone dedicated to building a better digital experience for our members. We're working on further refinements, especially to Bill Pay, and are committed to realizing a better digital tomorrow at Patelco.

2017 was also a year of unprecedented challenges for our members: Hurricanes Harvey, Irma, and Maria, along with wildfires in the North Bay and Southern California that destroyed homes and displaced thousands. While the hurricanes did not hit California, we still had nearly 3,000 affected members in Texas, Louisiana, Florida, and Puerto Rico – all of whom were offered our Disaster Relief Program. This Program provides access to an immediate 0% loan, reimbursement of many fees, and automatic payment deferrals on existing loans.

Our members affected by the California wildfires also had access to this Program. And because The North Bay fire was in our own backyard, we coordinated immediate outreach to the North Bay communities. Our team members passed out warm meals and blankets after the disaster, helped out at the Santa Rosa food bank, and also bought holiday gifts for 190 children and seniors through the Sonoma County Secret Santa program. Members contributed nearly \$90,000 to our Wildfire Relief Fund, which we matched dollar-for-dollar, and then added over \$50,000 extra, bringing the total amount donated to \$234,000 – all going to North Bay charities. Because housing and healthy food are two of the key pillars of our community involvement, we chose three charities that help provide food and housing in the North Bay.

We're extremely proud of our team's response to these disasters, and privileged to be in a position to help our members and the larger community. Our commitment to their well-being continues in 2018, as does our commitment to build a better financial future for all our members in 2018 and beyond.

Erin Mendez
President &
Chief Executive Officer

Standing with our communities

In 2017, wildfires devastated our North Bay and Southern California communities, and Hurricanes Harvey, Irma, and Maria hit Texas, Florida, and Puerto Rico. We responded by activating our Disaster Relief Program to provide immediate financial assistance to affected members – including deferring loan payments, reimbursing ATM fees, and providing low interest rate personal loans. The entire Patelco team also joined with members to support recovery efforts. We held multiple community events in the North Bay and organized a fundraiser that matched our members' donations dollar-for-dollar.

In the immediate aftermath of the North Bay fires, more than 60 Patelco team members made the trip from area branches and Patelco headquarters to

volunteer at the Redwood Empire Food Bank and serve a holiday dinner at a shelter of the Catholic Charities of Santa Rosa. We hosted an outreach event at our Santa Rosa branch, giving out hot meals, blankets, and hygiene kits to more than 750 people displaced by the fires. This event also served as the kickoff to our matching donations fundraiser, which generated \$234,000 for three local charities.

"It was heartbreaking to see our members' lives shattered by the devastating fires and hurricanes," said President and CEO Erin Mendez. "We wanted to show our communities that Patelco is still there for them. It's our mission to fuel hope and financial well-being, no matter the situation."



Our
promise

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

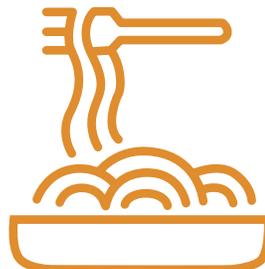
Community involvement



\$218,867

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.



\$78,000 + 470 Hours

To nourish families in our neighborhoods

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



\$98,000 + 392 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.



1,800 People

Benefitted from our financial literacy programs

We support financial literacy to empower people to improve their financial health, including giving courses through over 20 local organizations.

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

Our mission

Chief Financial Officer's report

As we look forward to Patelco's 82nd year serving our members, I am pleased to report that our institution continues to be financially healthy and well positioned for the future. In 2017, we grew our assets to over \$6.0 billion, while our total equity grew to \$653.8 million. In addition to increasing assets and equity, we also increased deposits and loans granted to our members. This is in line with our long-standing mission to empower

our members to achieve financial freedom, and these figures reflect our members' preference for Patelco as their trusted financial partner.

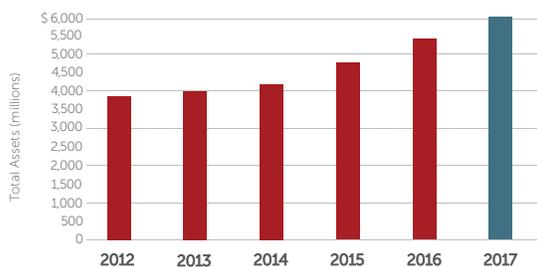
Susan Gruber

Susan Gruber
Chief Financial Officer

Key performance figures

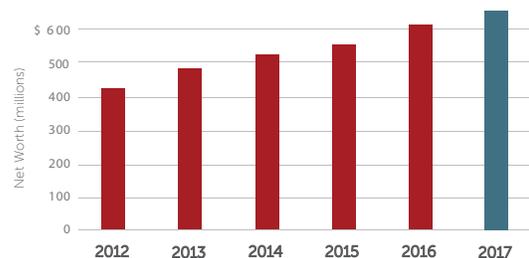
ASSETS

Assets increased further to \$6.05 billion in 2017



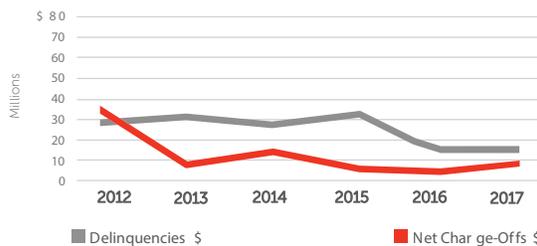
NET WORTH

Net worth has been increasing over the past 6 years



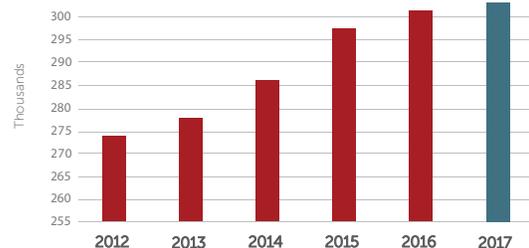
NET CHARGE-OFFS AND DELINQUENCIES

Asset quality has dramatically improved



TOTAL MEMBERSHIP

Membership is growing each year



Audit & Risk Committee's report

The Audit & Risk Committee of the Board of Directors 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 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, 2017. 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 executive leadership team and all staff for their continued support.

Vickie Rath

Vickie Rath
Chairperson – Audit & Risk Committee

2017 Consolidated Financial Statements

For Year Ending 12/31/2017 (In thousands)

Statement of Financial Condition

Assets

Cash and cash equivalents	\$	344,493
Investments		
Available-for-sale		1,187,751
Other		23,152
Loans, net		4,347,200
Accrued interest receivable		14,658
Property and equipment, net		12,308
Share insurance deposit		49,175
Goodwill and intangibles		24,410
Other assets		52,850
Total Assets	\$	6,055,997

Liabilities and Members' Equity

Liabilities		
Members' shares	\$	5,236,587
Borrowings		130,000
Accrued expenses and other liabilities		63,297
Total liabilities		5,429,884
Members' equity		
Retained earnings		653,766
Accumulated other comprehensive loss		(27,653)
Total members' equity		626,113
Total Liabilities and Members' Equity	\$	6,055,997

Statement of Income

Interest Income

Loans	\$	150,096
Investments and cash equivalents		28,306
Total interest income		178,402

Interest Expense

Dividends		38,858
Borrowings		1,401
Total interest expense		40,259

Net Interest Income

138,143

Provision for Loan Losses

7,000

Net Interest Income After Provision for Loan Losses

131,143

Noninterest Income

41,117

Noninterest Expense

Salaries and benefits		63,695
Operations		36,161
Loan servicing		10,533
Occupancy		9,492
Net gain on sale and disposal of other real estate owned (OREO) and other assets		(118)
Total noninterest expense		119,763

Net Income

\$ 52,497

Independent Auditor's report

At the request of the Audit & Risk Committee, Moss Adams LLP, certified public accountants, has performed an audit of Patelco's consolidated financial statements as of and for the year ending December 31, 2017. In our opinion, the consolidated financial statements above present fairly, in all material aspects,

the consolidated financial positions of Patelco Credit Union and subsidiaries as of December 31, 2017, and the results of their operations for the year then ended, in accordance with U.S. generally accepted accounting principles.

Credit Manager's report

In 2017, we surpassed \$6.0 billion in assets, making us the 22nd largest credit union in the United States. This financial position has allowed us to continue to support our members' financial health through competitive rates, and in 2017 we granted our members over \$2.1 billion in loans, including \$863 million in home loans.

We remain committed to helping members in all of our California communities to achieve their financial goals.

Susan Gruber

Susan Gruber

Chief Financial Officer