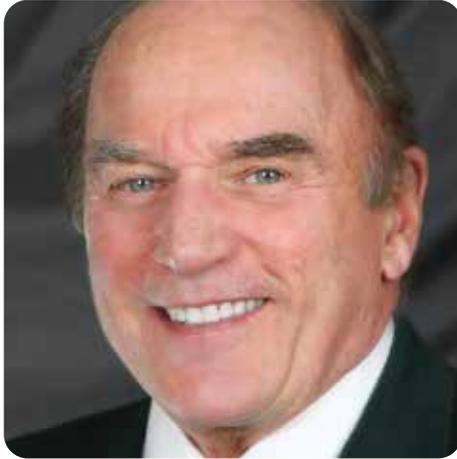


2020 Annual Report





Board Chairman's report

Patelco has stood strong for 85 years and has grown in that financial strength because of the trust that you and other members have placed in us. Our vision is to be the preeminent credit union that helps you achieve financial wellness – and our solid fundamentals are what enabled us to maintain that focus on you during a tumultuous 2020.

Regardless of pandemics, shutdowns, and economic uncertainty, our commitment to your financial wellness remains the same. Our role as the Board of Directors

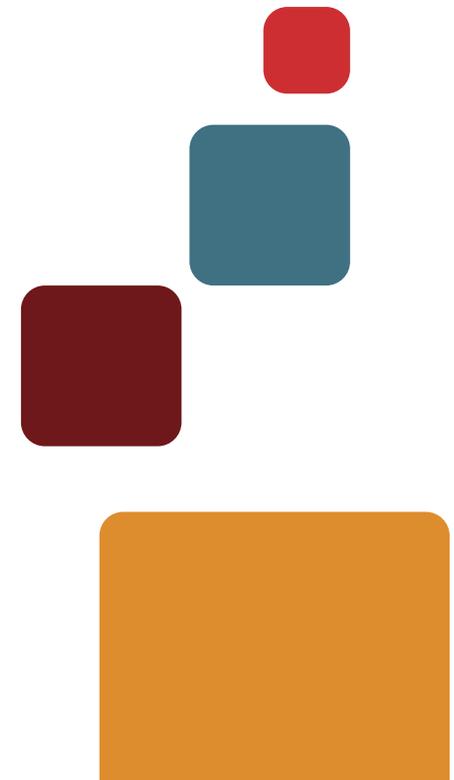
is to assure that the credit union fulfills that commitment while staying financially strong. Although the credit union earned less in 2020, we remained well-positioned financially and were able to serve our entire memberships' needs – including savers, borrowers, members who bank at our branches, and members who use our digital offerings.

At the end of 2020, we had over \$1 billion in cash – as of December 31, \$1,045,000,000 to be exact. This cash is part of our well-constructed total asset position of over \$8.4 billion that exists to provide products and services to our members. When you have plenty of cash, you feel assured because you know you can handle whatever economic needs come your way. The same is true for a financial institution – with adequate cash, we are able to cover expenses, make loans, and deal with circumstances like COVID-19. If you're interested in tracking our cash reserves from month to month, our latest financial statement is always on our website. This transparency is part of how we maintain the trust of members like you.

We also finished 2020 well-capitalized at over 9%. For a financial institution like Patelco, capitalization compares the value of our assets (including loans) versus our liabilities (such as the money owned by members in the form of deposits). As a federally regulated credit union, we're governed by the National Credit Union Association (NCUA). Under NCUA regulatory guidelines, a credit union is adequately capitalized at 6% and well-capitalized at 7%. As of December 31, Patelco had a capital net worth ratio of 9.76% – significantly higher than NCUA requirements. This means we're easily able to continue offering the products and services you've come to expect from Patelco.

Some of you are primarily savers, some of you are borrowers, some of you use our transaction services, and many of you make full use of all that Patelco has to offer. Patelco improves the financial wellness of each of these groups, and the Board will continue to guide Patelco in its offerings so that our products and services strengthen your ability to make sound choices during your financial journey. Improving financial wellness for you and your family is a lasting difference we're dedicated to delivering – regardless of what challenges each year brings.

Peter Hanelt
Chairman – Board of Directors



Our vision

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



Our promise

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

Our mission

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



President and CEO's report

2020 was a year like no other for Patelco and other credit unions. Unlike past periods of economic downturn, like the 2008 recession, this past year forced us to adapt not only because of changes in the economy and in our members' lives, but also because we had to totally change how our 750+ teammates worked together. I'm very proud of our branches and team for staying open to serve you, including by working at non-branch locations – we pivoted to remote work in a matter of days to continue serving you in all ways. But, more importantly, I'm proud of how

we delivered the Patelco difference during a year of incredible hardship and uncertainty for our members and the communities we serve.

We stayed true to our mission

You need a financial partner you can count on, and our mission as a member-owned credit union is to put members before profits and to be there no matter what happens during our members' financial journeys. This mission goes beyond providing the basics of banking, which is why we're continuously striving to improve the ease of banking with Patelco and to offer unique products tailored to our membership. The pandemic didn't change that, and in 2020 we stuck to our strategic plan, even while pivoting to meet changing member needs and adapt to government mandates.

Two highlights in 2020 were debuting our ScoreUp Credit Builder Loan and advancing our digital offerings. Our ScoreUp loan is designed for members who have no credit, little credit or may need some help in improving their credit score. By making manageable monthly payments on time, members can establish a positive credit history while also growing their savings. A good credit score and savings for the unexpected are among the best indicators of financial health, and our lending team's innovation in creating this loan is a testament to how we're delivering on our mission.

We also made many improvements to our digital offerings in 2020, particularly to support remote transactions. Many of these updates were not flashy or even visible to you, but they nonetheless made a big difference for our members in making banking easier and quicker. Many members

who applied for loans communicated with our team via text message instead of having to call or email. And if you used a Patelco ATM, we saved your preferences so you spent less time completing your next transaction. Our online banking platform and Mobile App received dozens of updates and new features, allowing you to self-serve for more transactions instead of needing to call, mail in paper documents, or visit a branch.

We delivered the Patelco difference in 2020

This focus on improving our digital offerings is not to say that we stopped offering the human touch or being available to talk with you. In fact, many of the challenges 2020 brought – from layoffs to tightened budgets to staying at home – meant that many of you needed to talk to a Patelco team member more than ever. I'm thrilled at how our team – including our call center – transitioned to working remotely. Our technology team stayed up late at night and drove hundreds of miles to procure the laptops and other equipment we needed to deploy a remote workforce that was ready to support you and answer your calls.

Our branch team had some of the toughest jobs last year. As an essential business, our branches remained open during the pandemic to serve your vital needs, although we had to adjust our hours, including to accommodate our team's needs to take care of their own families including school-age children. And to better meet your changing needs, many on our Patelco team temporarily moved to other departments to provide support where it was needed most – including taking care of members who needed some extra help, whether that was with waiving

fees, getting a loan deferral, or borrowing money just to make ends meet.

Our disaster relief program – in which we offer special assistance to members affected by a natural disaster – and our longstanding commitment to your financial wellness uniquely positioned us to be ready to help members impacted by COVID-19. We saved members \$1 million in fees waived on overdrafts. We increased immediate funds availability, so members had quicker access to stimulus checks. We created a Member Relief Program that funded 1,606 loans worth nearly \$5 million. And we helped 11,412 members with deferred loan payments on loan balances of \$650 million.

But we also went beyond our normal offerings by listening to our members. We have many members who own small businesses – and they told us that they were struggling to access the PPP loans offered by others. So we stepped in, completed the necessary steps to gain government approval to offer PPP loans, and then made 90 loans to small businesses owned by our members – infusing \$1.6 million into the communities where you and our other members live.

Taking care of our members was our mantra for 2020. Because of our sound financial fundamentals – which you can read more about in our Chairman’s column – we didn’t need to spend time worrying about our bottom line. Instead, we focused on you, our members. You are our mission.

We’re still here for all members – borrowers and savers alike

While our focus in 2020 was on our mission and our members, that of course doesn’t mean we neglected our financials. You can read the specifics

of our financials in this Annual Report. And while some of the numbers aren’t as high as in other years, we remain strong and ready to serve you.

Some of the factors that affected our financials most in 2020 were exceptionally low interest rates coupled with various business restrictions put upon our communities – which together led people to reduce their spending and cut their borrowing. The low rates and the downturn in borrowing did put significant pressure on our earnings. Being a not-for-profit doesn’t mean we don’t operate and earn a profit – instead, it speaks to how we use our profit. In our case, we turn our profit into improving our rates and services for you, and then use it to build our net worth so that we are here to serve you and future generations for many years to come.

In terms of rates, borrowing rates are quite low right now, as are savings rates. A low-rate environment is great if you want to borrow for a car or home – and not so great if you’re saving up a down payment or relying on your share certificate earnings for retirement. That said, we’ve kept our Money Market Select one of the most competitive rates nationally, as indicated by Bankrate. We remain committed to both our savers and our borrowers – and we’ll continue to tailor our rates to serve each group as best we can.

We’re looking ahead in 2021

Even as the economy and world events continue to contribute to uncertainty in the first quarter of 2021, we’re committed to being your trusted partner on your financial journey. We’re pleased that our members are able to keep their loan commitments, resulting in exceptionally

high loan quality in our loan portfolios. Essentially, this means that our members are able to continue to make payments on their loans. I believe this speaks to the quality of the advice and accounts we offer, whether it is helping with payment deferrals or providing a “bridge” loan when a member is faced with adversity. We always review options with members regarding products and decisions that will be best for their financial wellness – not for our bottom line.

We’re still here to deliver the products, services, and trusted advice that you need – and we’ll continue to partner with you towards what is best for your financial wellness, in 2021 and beyond.



Erin Mendez
President & Chief Executive Officer

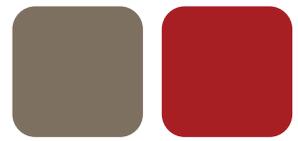


Member service, in action

While 2020 was a different year in many ways, that didn't stop us from serving our members and communities. In fact, it inspired us to find brand new ways to serve you. The changing economic landscape and government regulations also challenged us to innovate and find creative solutions.

In this Annual Report, we're highlighting how we served you – including our COVID-19 response, our community service, our technological innovations and improvements, and how we adapted our retail branches to provide in-person service when you needed it. Keep reading to learn more – and to hear from Patelco members who were positively impacted.

Serving you during the pandemic



To help our members who own small businesses, we obtained approval to offer PPP loans and made **90 loans worth \$1.6 million** — supporting the communities where you live.



Our branch team answered over **80,000 calls and 40,000 emails** — helping you transact remotely.



Through the Member Loan Relief Program, we **funded 1,606 loans for \$4.9 million**. We also gave **18,722 loan payment deferrals worth \$650 million**.



By waiving overdrafts, we **saved members over \$1 million in fees**. We also increased immediate funds availability for **quicker access to stimulus payments**, with no garnishment.



To help members build or repair their credit, we launched our ScoreUp program — funding **700 loans for \$1.3 million**.

2020's corporate social responsibility

AFFORDABLE HOUSING

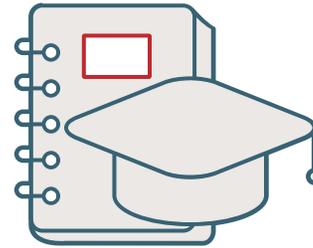
Donated \$80,000

to Habitat for Humanity for the Habitat Women's Virtual Leadership Build, financial wellness classes and sponsorship of the Cycle of Hope "Ride from Home." We also hosted an outdoor event for riders in the Cycle of Hope, which featured Patelco as the second largest racing team; our team raised over \$8,000.



FINANCIAL LITERACY

Educated 1,767 people in partnership with 23 organizations

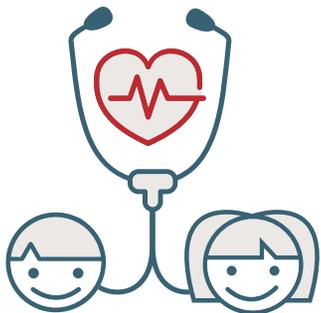


in the Northern California communities we serve. Our social media videos on financial literacy also received over 170,000 views, and nearly 1,000 members received advice and counseling through our partner BALANCE.

CHILDREN'S HEALTH

Donated \$154,500, 5 volunteers, and 108 volunteer hours

to Credit Unions for Kids (Children's Miracle Network), the Patelco Sports Complex, Dublin Partners in Education, the Boylan High School Scholarship, and Youth Uprising.



FOOD INSECURITY

Donated \$134,500, 36 volunteers, and 108 volunteer hours

to 8 food banks in the communities we serve across Northern California. We increased



our financial donations to enable our partners to buy more food and cover increased transportation costs during the pandemic.

Serving our communities

During the 2020 holidays, we gave out 122 surprise gift cards to members – chosen by our team when they learned of a member’s special need. The members’ stories reminded all of us why we are part of the Patelco team.

Patelco was among the *San Francisco Business Times’* Top Bay Area Corporate Philanthropists for 2020 – earning the #15 spot among financial institutions and #68 overall.

While social distancing could have hampered Patelco in our community involvement, we found creative ways to engage with members and the larger communities we serve in Northern California. Although unable to meet in person for most of 2020 to volunteer or put on financial literacy courses, we remained committed to the four pillars of our community engagement.

To support **affordable housing**, we continued our financial support of Habitat for Humanity. Undeterred by social distancing, we turned our annual Cycle of Hope fundraiser into a “Ride from Home” challenge that encouraged participants to ride in their own neighborhoods to raise money. Our Patelco team alone raised over \$8,000. And because we couldn’t meet in person to give our Habitat-sponsored financial courses, we switched to webinars – allowing anyone to join in, since people were no longer limited by the location or by traffic.

To support **children’s health**, we continued our financial donations so that our Northern California children’s hospitals could continue treating children – including those impacted by COVID-19. We also partnered with some new groups in Dublin, the city that houses our recently-purchased headquarters.

To continue our commitment to **financial education**, we listened to your concerns throughout 2020 so that we could address your changing needs. Our financial educator,

Veronica Dangerfield, created videos that received over 170,000 views – in addition to partnering with 16 local organizations to reach 1,085 participants in person before the pandemic.

Of all of our areas of focus, **food insecurity** was the greatest need during 2020. From job losses to reduced hours to closed schools that used to feed students lunch, our Northern California communities had a great need for healthy food. In the past, we did canned-food drives at our headquarters and branches, and we volunteered our time at our partner food banks. Since we couldn’t do either of those in 2020, we instead greatly increased our financial giving – totaling \$134,500 to 8 food banks.

These funds were extremely beneficial to our partners. Most Northern California food banks increased home delivery for seniors and other vulnerable populations during the pandemic – and so they needed additional funds to pay for transportation costs. Additionally, our donations enabled the food banks to buy food at cost from their suppliers – greatly multiplying the effect of the funds. For every \$1 donated, food banks are typically able to purchase \$5 to \$7 of food.

Serving you at our branches

While the teams at our headquarters and our call center pivoted quickly to working remotely in 2020, our branch teams had to be even more flexible – adapting to changing government mandates and coming up with creative ways to serve you. We know that sometimes you just need to talk with a person or do an in-person transaction, and that’s why our branches stayed open.

Our branches adapted in 2020

In-person business looked different in 2020. But even though our hours changed – including to help our team take care of their own families, many of whom had children home from school – and a few branches were closed temporarily, we still wanted your experience to be as smooth as possible.

That’s why we added floor decals to make social distancing easier, created clear signs inside and outside our branches, and constantly updated our website with the latest branch news. We also sent emails to keep you apprised of what was happening at your branch and, in some cases, extended our branch hours and opened on Saturdays to serve you better.

Because many more members chose to transact remotely, we also cross-trained our branch team to take your phone calls

and answer your emails. In all, our branch team answered over 80,000 calls and answered nearly 40,000 emails!

24 branches now have Certified Financial Specialists

To provide more individualized advice and guidance along your financial journey, we also introduced a new role for our team in 2020: Certified Financial Specialists (CFS). Each CFS that we chose has 10+ years of experience at financial institutions, and each one completed a rigorous 16-week training program. In all, we have 43 CFS ready to meet with you at 24 branches, or by phone.

Our CFS can answer your questions, share strategies to meet your goals, identify opportunities to improve your financial wellness, and just be a listening ear when you’re facing a financial challenge. Best of all, there’s no cost – and our CFS aren’t salespeople. Learn more and request an appointment at [patelco.org/FinancialJourney](https://www.patelco.org/FinancialJourney).

We were awarded “Best of the Best” Credit Union in

- Brentwood by the *Brentwood Press*
- Folsom by the *Folsom Telegraph*
- Fremont by the *Fremont Argus*
- Milpitas by the *Milpitas Beat*
- Novato by the *Marin Independent Journal*



Serving you through innovations and improvements

We didn't let the pandemic and a transition to remote work stop us from our digital roadmap in 2020. We made dozens of enhancements to our website, our processes, online banking, the Mobile App, and our communication channels.

We made loans more seamless

As a credit union whose mission is financial wellness, we want members to get a loan when it's the right choice. Greater transparency and more information up front make it easier to make the right decision, which is why we created a new prequalification experience in 2020.

With the new Check My Rate portal, you can see your potential rate, monthly payment, loan terms, total loan cost (including interest), and prequalification amount – all available before you begin applying and with no impact to your credit. Experience it yourself at patelco.org/CheckMyRate.

We also rolled out text messaging for select loans, allowing you to quickly communicate with our loan team about your application and share information instantly – no emails, no waiting on hold. We're rolling out text messaging as a channel for more products and services soon, not just loans.

We made your day-to-day banking easier

Many of the improvements to our website and Mobile App weren't flashy, but they made your daily transactions faster and easier – like enhanced Anywhere Deposit capabilities, streamlined transfers in online banking, and faster online application status updates. We also introduced new services like digital claims for cards, and Zelle® so you can easily send and receive money from friends and family.

We made it easier for you to interact with us at our branches, too, including an online appointment scheduler for in-person visits and refreshed software to speed up ATM transactions. And if you called us, you experienced our updated call tree redesign.

Our **CFS Financial Advisors started offering virtual appointments** so members could receive financial guidance without needing to come to a branch.

We added **online appointment scheduling** to make it much faster and easier to get an appointment at one of our 37 local branches.

Use of Patelco's digital services grew **11.4%** in 2020 – much faster than in previous periods.

Serving our members along their financial journey



Farita | Member for 6 years

"It's heartwarming to know someone who didn't know me cared about me... It was just really easy to talk to people. That's how I would describe my Patelco experience."

Ariana | Member for 12 years

"I always felt really protected with Patelco... They are good about giving me options."





Jerry & Ellen | Members for 17 years

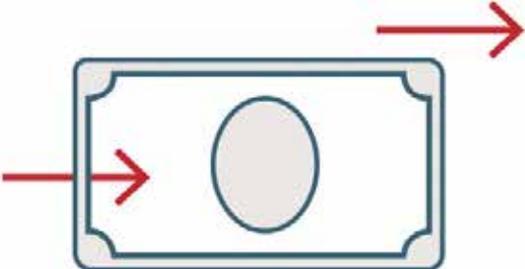
"We knew credit unions were great, but then we got to know several of the crew at our local Patelco branch and became friends. Now they've moved on and there's some new folks, but we still keep in touch."

Chris | Member for 5 years

"When the whole pandemic shutdown happened, as a business owner you really start to worry about how are we doing to pay the rent? How are we going to pay our bills? Patelco was that shining light... It's refreshing to have someone advocate for you."

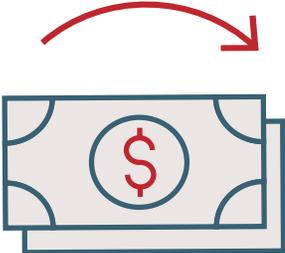


Member engagement



BORROW RESPONSIBLY

- 25,676** members financed a new (or new to them) vehicle
- 3,266** members moved into homes financed by Patelco
- 112** members had loans restructured to make payments more affordable
- 11,561** members enrolled in the LevelUp program and 8,914 got rate reductions
- 11,412** members benefitted from loan deferrals worth \$650 million



PLAN PURPOSEFULLY

242 more members invested in their future through Patelco Financial Solutions



SAVE DILIGENTLY

- 20,893** members opened Money Market Select accounts
- 3,077** members invested in share certificate specials
- Members saved an additional **\$107,800** of their own money with Plus Checking Round-Up

Serving our members' financial wellness

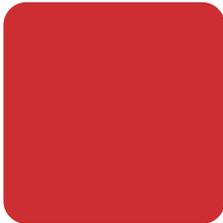
Benefits returned to our membership

	Q4 2016	Q4 2017	Q4 2018	Q4 2019	Q4 2020
Total annual CU benefits per Member	\$181	\$180	\$253	\$189	\$225
Total annual CU benefits per Member household	\$344	\$377	\$532	\$397	\$472

Product/Service	Quantity	Member Benefit
COVID-19 Member Relief Loans	1,606	\$4.9 million
Loan Payment Deferrals	18,722	\$650 million
Disaster Relief Loans	1,657	\$5 million
PPP Loans	90	\$1.6 million
LevelUp Program Enrollment	11,561 members	8,914 rate reductions
Card Fraud Cases Prevented	8,683	100s of hours of time saved
Overdraft Fees Waived	35,000+	\$1 million+
ScoreUp Credit Builder Loans	700	\$1.3 million

Chief Financial Officer's report

As we look forward to Patelco's 85th year serving our members, I am pleased to report that our institution continues to be financially healthy and well-positioned for the future – even after the unprecedented events of 2020. In 2020, we grew our assets to over \$8.4 billion, while our total equity grew to \$802.5 million. In addition to increasing assets and equity, we also increased deposits and loans granted to members. This is in line with our long-standing mission to support our members' financial wellness, and these figures reflect our members' preference for Patelco as their trusted financial partner.



Susan Gruber
Chief Financial Officer



Chief Lending Officer's report

While 2020 was an unprecedented year for financial institutions, Patelco finished the year as the 22nd largest credit union in the United States based on total assets. This financial position allowed us to continue supporting our members' financial wellness throughout the challenges of the COVID-19 pandemic. We continued to offer competitive rates, and in 2020 granted our members over \$2.7 billion in loans despite an overall slowdown in lending across all financial institutions. The housing market remained strong, and Patelco was able to lend over \$1.8 billion in home loans to help members refinance at a lower rate, buy a new home, and finance home improvements. We remain committed to helping members in all our California communities achieve their financial goals through offering competitive rates and innovative lending products.



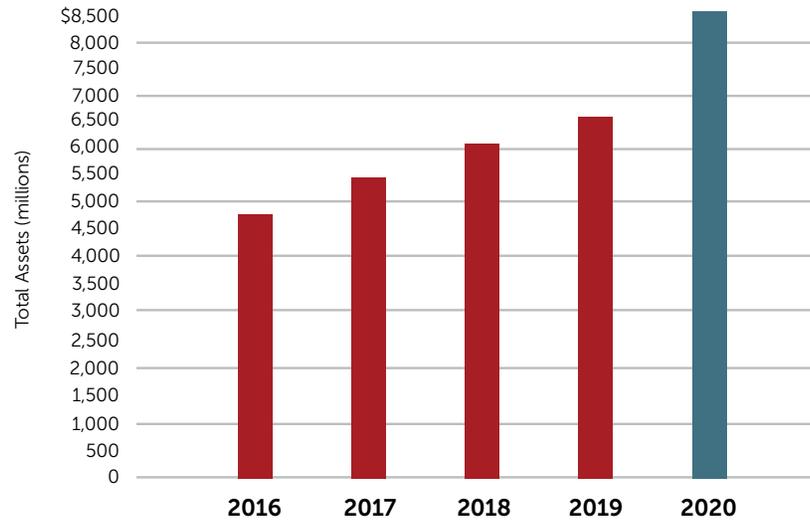
Richard Wada
Chief Lending Officer



Key performance figures

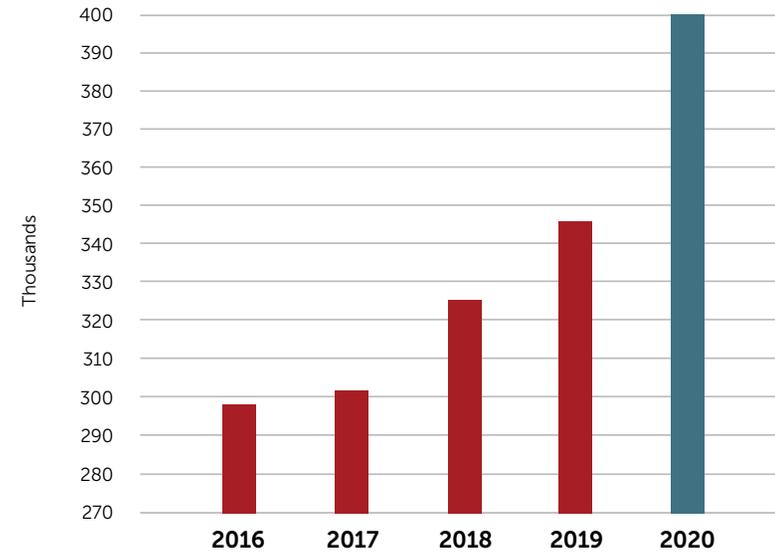
ASSETS

Assets increased further to \$8.433 billion in 2020



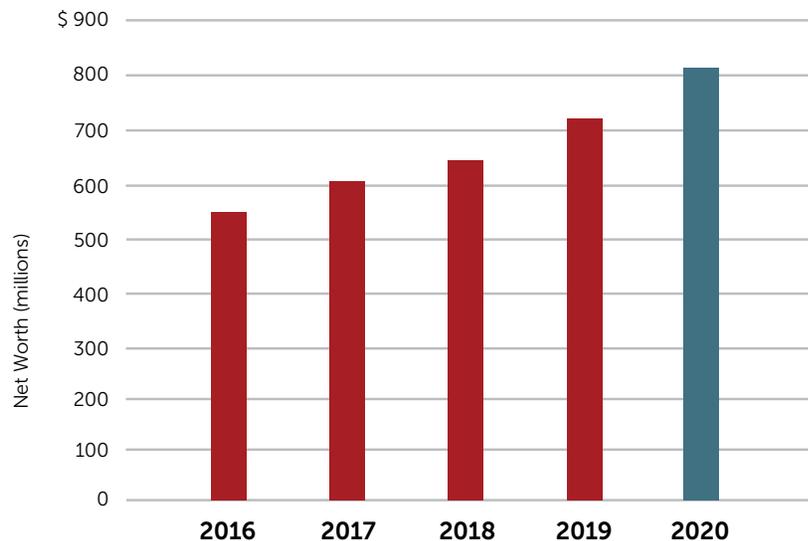
TOTAL MEMBERSHIP

Membership reached over 400,000



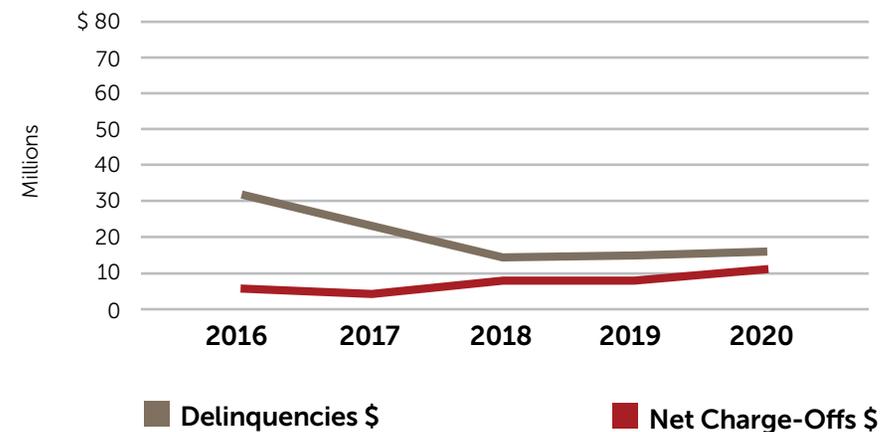
NET WORTH

Net worth increased to over \$816 million



NET CHARGE-OFFS AND DELINQUENCIES

Asset quality has remained stable



2020 Consolidated Financial Statements

For Year Ending 12/31/2020 (in thousands)

Assets

Cash and cash equivalents	\$ 1,188,540
Reverse repurchase agreements, at fair value	400,000
Investments	
Marketable equity securities, at fair value	108,286
Available-for-sale debt securities, at fair value	921,327
Other securities	23,584
Loans, net	5,401,093
Loans held for sale, at fair value	36,818
Accrued interest receivable	16,204
Property and equipment, net	106,307
National Credit Union Share Insurance Fund deposit	64,105
Goodwill	24,410
Other assets	143,150

Total Assets **\$ 8,433,824**

Liabilities and Members' Equity

Liabilities

Members' shares	\$ 7,253,885
Borrowings	300,000
Accrued expenses and other liabilities	77,388
Total liabilities	<u>7,631,273</u>

Members' Equity

Retained earnings	816,833
Accumulated other comprehensive loss	(14,282)
Total members' equity	<u>802,551</u>

Total Liabilities and Members' Equity **\$ 8,433,824**

Statement of Income

Interest Income

Loans	\$ 206,947
Investments and cash equivalents	15,744
Total interest income	<u>222,691</u>

Interest Expense

Dividends	66,463
Borrowings	7,199
Total interest expense	<u>73,662</u>

Net Interest Income	149,029
Provision for Loan Losses	22,900
Net Interest Income After Provision for Loan Losses	<u>126,129</u>

Noninterest Income

Service charges and other fees	9,707
Merchant card and other network income	18,349
Net gains on sales of loans	24,818
Change in fair value of loans originated for sale	1,496
Net (loss) gain on mortgage hedging	(5,360)
Net gain on sale of investments	884
Other noninterest income	7,993
Total noninterest income	<u>57,887</u>

Noninterest Expense

Salaries and benefits	86,381
Operations	42,800
Loan servicing	5,270
Occupancy	16,586
Total noninterest expense	<u>151,037</u>

Net Income **\$ 32,979**

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, 2020. In their opinion, the consolidated financial statements to the left present fairly, in all material aspects, the consolidated financial positions of Patelco Credit Union and subsidiaries as of December 31, 2020, and the results of their operations for the year then ended, in accordance with US generally-accepted accounting principles.



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, 2020. 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.

Debbie Chaw

Debbie Chaw

Chairperson – Audit & Risk Committee

Leadership Team



Board of Directors | First Row L to R: Jeffrey Parks, Debbie Chaw, Peter Hanelt, Vickie Rath, Jesse Rivera, Tracey Scott | Second Row L to R: Emily Schubert, Robert McCormish, Colleen Cabey, Garick Zillgitt, Laura Chambers, Race Chen, and Patelco President and Chief Executive Officer Erin Mendez

Board of Directors

Peter Hanelt
Chairman
Business Consultant, CPA

Garick Zillgitt
First Vice Chair
Insurance Executive

Debbie Chaw
Second Vice Chair
Cal State East Bay

Race Chen
Treasurer
Consultant

Laura Chambers
Secretary
Airbnb

Colleen Cabey
Director
Attorney at Law

Robert McCormish
Director
Metamorphosis Wines

Jeffrey Parks
Director
RPM Mortgage

Vickie Rath
Director
American Ratings
Corporation

Jesse Rivera
Director
Segal Consulting

Emily Schubert
Director
LinkedIn

Tracey Scott
Director
Housing Executive

Executive Team

Erin Mendez
President
Chief Executive
Officer

Susan Gruber
Executive Vice President
Chief Financial Officer

Angela Jeffers
Senior Vice President
General Counsel

Kal Majmundar
Senior Vice President
Chief Technology
Officer

Susan Makris
Senior Vice President
Chief Administrative
Officer

Melissa Morgan
Senior Vice President
Chief Retail Officer

Richard Wada
Senior Vice President
Chief Lending Officer