



**2012** ANNUAL REPORT

2012 was our best year yet at Patelco with record earnings of over \$55 million. Throughout 2012, we intensified our commitment to service and savings, with tangible results. We couldn't have achieved this record-breaking year without the active involvement of our member-owners.

In spite of an economy that has remained sluggish, Patelco achieved a net income of \$55 million by year-end, allowing the credit union to achieve an 11.04% net worth ratio, our highest since 2006, and an increase from 10.29% in 2011. It goes without saying that we are considerably well beyond "well capitalized" as defined by the National Credit Union Association.

November 2012 was the anniversary of Bank Transfer Day, a grassroots movement that drove an explosion of membership and product growth in 2011. The momentum continued throughout 2012, with 32,378 new members choosing Patelco. We almost doubled the amount of new credit card accounts opened in 2012 compared to 2011, and generated almost \$100 million more in auto loans for the same period. Housing prices in California remained low throughout 2012, making it easier for many to finance a home, leading to thousands of new home loan originations.

To better serve our members, we continued to tighten expense controls and operational efficiency to provide an improved, more streamlined service experience. We moved our San Mateo branch to a more accessible location and opened a new branch in San Bruno – bringing our number of branches to 41, and allowing us to serve even more members locally.

To expand our positive impact in our communities, we formed a community relations committee to organize our resources and deepen our involvement in local communities. Financial literacy was a focal point during 2012 and will continue to be in 2013. We continued our work with the CU4Kids and Children's Miracle Network. Additionally, we participated in community events such as the San Francisco AIDS Walk, American Red Cross blood drives and hosted a clothing drive for an organization that helps disadvantaged women seeking to enter or re-enter the workforce.

In 2013, our focus will remain on improving member satisfaction and value. This commitment is underscored by a new program, The Member Giveback, a campaign to return value to qualified members for contributing to our success in 2012 with savings on loan rates and fees. We have launched a new Online Banking environment and plan to introduce a mobile app for iPad® to enhance the online and mobile banking experience even more. We also plan to make improvements to our credit card offerings, and have already launched our new 5/5 Equity Builder®, an adjustable rate mortgage that lets members pay off their homes sooner, thereby building equity faster and offering substantial savings over the life of their loans.

After an incredibly successful year we look forward to delivering even more value in 2013.



Peter Hanelt  
Chairman – Board of Directors

“Awesome customer service and good business”  
Jonathan C. – Facebook



## Serving Members

Against a backdrop of an improving housing market and a stabilizing economy in 2012, we experienced significant growth in our lending programs. We provided our members with over \$1.4 billion in loans that resulted in savings through lower interest charges and fees. Our outstanding loan balances increased from \$1.96 billion in 2011 to \$2.09 billion in 2012, a 6.7% growth rate which represents a significant improvement over the 3% decline in outstanding loans that we experienced in 2011.

We served the lending needs of our members by approving and funding more than 24,000 new loans in 2012, representing a 45% increase over 2011. We provided financing for more than 13,000 new and used vehicle loans totaling more than \$240 million, and originated over 2,400 new home loans. Our credit card portfolio continues to perform well. We opened over 8,000 new credit card accounts, and a total of \$312 million in purchases were made using our Visa and MasterCard credit cards.

Throughout 2012, we worked to modify or restructure loans for members experiencing financial difficulty, resulting in positive delinquency and default trends in our real estate and consumer loan portfolios. Our overall delinquency rate decreased from 2.99% to 1.48% by year-end and total net charge-offs decreased from \$57.8 million to \$36.3 million. We diversified our lending programs into new areas in order to ensure that our loan portfolio reflects an acceptable level of credit risk.

As we move forward in 2013, we will continue to serve our more than 275,000 members by actively promoting and originating new mortgage, auto, consumer, and member business loans. We plan to introduce a number of new programs in 2013 that will provide relevant savings and real value for our members as we build on the momentum established in 2012.

Ron Felder  
Chief Credit Officer

“Best banking experience of my life”  
Dov P. – Yelp

## Committee Oversees Financial Safety

The purpose of Patelco's Supervisory Committee is to ensure that 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 of the board of directors, and examines the credit union's monthly financial reports. The committee also retained McGladrey LLP, certified public accountants, to perform an audit of Patelco's consolidated financial statements for the year ending December 31, 2012.



## Independent Auditors 2012 Report

At the request of the Supervisory Committee, McGladrey LLP, certified public accountants, has performed an audit of Patelco's consolidated financial statements as of and for the year ended December 31, 2012.

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, 2012, 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.

# 2012 Consolidated Financial Statements

### Statement of Financial Condition

<b>Assets</b>	
Cash and cash equivalents	\$ 494,577,198
Investments	
Available-for-sale	1,221,633,239
Other	4,050,997
Loans to members, net	2,039,809,170
Accrued interest receivable	12,500,001
Property and equipment, net	6,921,493
Share insurance deposit	32,662,000
Goodwill and intangibles	25,319,176
Other assets	34,525,260
	<u>\$3,871,998,534</u>
<b>Liabilities and Equity</b>	
<b>Liabilities</b>	
Members' shares	\$3,401,384,344
Accrued expenses and other liabilities	40,106,270
Borrowed funds	-
Total liabilities	<u>3,441,490,614</u>
<b>Equity</b>	
Retained earnings	427,111,582
Accumulated other comprehensive income	3,396,338
Total equity	<u>430,507,920</u>
	<u>\$3,871,998,534</u>

### Statement of Income

<b>Interest Income</b>	
Interest on loans to members	\$97,664,654
Interest on investments and cash equivalents	24,347,513
	<u>122,012,167</u>
<b>Interest Expense</b>	
Dividends on members' shares	16,579,233
Interest on borrowed funds	-
	<u>16,579,233</u>
Net Interest Income	105,432,934
Provision for Loan Losses	<u>14,469,000</u>
Net Interest Income After Provision For Loan Losses	90,963,934
Net Non-Interest Income	51,472,061
	<u>142,435,995</u>
<b>General and Administrative Expenses</b>	
Salaries and benefits	47,293,808
Operations	21,385,128
Loan servicing	7,112,017
Occupancy	8,032,657
NCUSIF premium assessment	3,102,890
	<u>86,926,500</u>
Net Income	<u>\$55,509,495</u>

“If you like saving your hard earned cash, if you support community-oriented banking, and you like it when people are truly interested in helping you out with your financial needs, go with a credit union such as Patelco”

*Euge L. - Yelp*



### Elder Financial Protection Network

We have supported the Elder Financial Protection Network (EFPN) for the past 10 years, sponsoring community events in addition to having our Community Outreach Manager on the EFPN Board of Directors. Patelco was a silver sponsor for Call to Action 2012, where hundreds of seniors were brought together with professionals who represent financial institutions, law enforcement, social services, elder justice advocates and the legal community to help prevent elder financial abuse.



### Youth Financial Literacy Events

In addition to our own on-going youth financial literacy programs that we host at local high schools, in 2012 we hosted the first "Bite of Reality" program in partnership with the Richard Myles Johnson Foundation. Bite of Reality is an interactive financial literacy simulation which aims to teach teenagers how to manage their money in real-life work conditions.



### Superstorm Sandy

After the devastating Superstorm Sandy hit the East Coast last fall, we worked with CafeGive, a company that creates charitable apps for use on social networking sites, to launch a Facebook app to raise money for the American Red Cross Disaster Relief - specifically to aid in Superstorm Sandy relief efforts. \$6,535 was raised through online donations all solicited through the popular site. Patelco contributed an additional \$5,000 to bring the total donation amount to \$11,535.



### Career Closet

We hosted a clothing drive in our headquarters location and through our branches for Career Closet, an organization that operates not-for-profit clothing boutiques to help disadvantaged women seeking to enter or re-enter the workforce.



### AIDS Walk

Patelco employees along with their friends, family members, and 20,000 other walkers and runners gathered in Golden Gate Park to participate in the San Francisco AIDS Walk on July 15, 2012. With a matching donation, the Patelco team raised more than \$9,300 that goes to HIV and AIDS programs and services throughout the Bay Area.



Peter Hanelt  
Chairman  
Business Consultant



John Rubino  
Vice Chairman  
Walgreens (retired)



Vickie Rath  
Secretary  
American Ratings  
Corporation



Gene Bell  
Treasurer  
Pacific Telesis (retired)



Colleen Cabey  
Director  
Wholesale AT&T West



Race Chen  
Director  
AT&T (retired)



Jeff Parks  
Director  
RPM Mortgage



Jesse Rivera  
Director  
ATPA



Tracey Scott  
Director  
Housing Executive



Gerald Upson  
Director  
Tax Consultant



Garick Zillgitt  
Director  
Rockhill Insurance Co.

## Supervisory Committee

**Trevor Thomas**  
Chairman  
Rakuten Loyalty

**Lonnie Barish**  
Nuvisan

**Debra Chaw**  
California State University East Bay

**Robert A. McCormish**  
TeamCo Advisors, LLC

**Sharon Wilson**  
Macquarie Aircraft Leasing Services

## 2012 Executive Team

**Kenneth Burns**  
President  
Chief Executive Officer

**Viktoria Earle**  
Vice President  
Risk Management

**Ron Felder**  
Executive Vice President  
Chief Credit Officer

**LeeAnne Giblin**  
Senior Vice President  
Chief Administration Officer

**Ryan Misasi**  
Executive Vice President  
Chief Retail Officer

**Anthony Vitale (interim)**  
Senior Vice President  
Chief Technology Officer

**Scott Waite**  
Executive Vice President  
Chief Financial Officer