

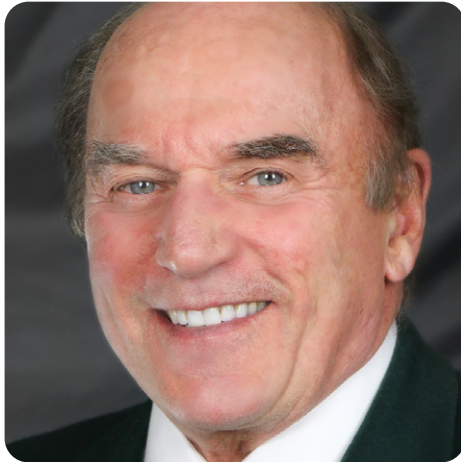


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# 2019 Annual Report



 Patelco<sup>®</sup>  
CREDIT UNION



## Board Chairman's report

Patelco has stood strong for 84 years and has grown in financial strength through service to you, our members. Through pandemics, numerous market crashes and corrections, wars, natural disasters, recessions including the Great Recession, government shutdowns, and even Y2K, Patelco has stood by its members. Our commitment remains the same: putting your best interests first and building your financial wellness. We are a safe and stable credit union no matter the economic outlook, and our role as the Board of Directors is to assure the credit union fulfills our commitment and stays financially strong.

In 2019, Patelco made a major investment in buying a new headquarters at 3 Park Place in

Dublin. The purchase was the largest capital expenditure ever by the credit union, and it provides the team with much-needed space to serve you today as well as to grow in the future. The new headquarters is designed around collaboration and provides more areas for community interaction as well.

All of us – from our branches to our investment advisors to our call center – coordinate each day to help you access superior financial tools that improve your financial wellness. We also listen carefully to you so we can learn about your unique financial challenges and opportunities. Listening to your needs and designing our products and services to meet them exemplifies our mission as a not-for-profit financial cooperative. When you join Patelco as a member, you learn what it means when we say that we put our members and our communities first.

In putting our communities first, we do what directly benefits our members and their respective local communities. In 2019, this included raising tens of thousands for Habitat for Humanity® and the San Francisco Housing Development Corporation to help families transform their lives, as well as our ongoing involvement supporting children's health by contributing money and hundreds of volunteer hours to benefit local children's hospitals.

As 2020 begins amidst the COVID-19 outbreak, we again are implementing our crisis management plan. It has been successful in the past in helping members, and it will be successful today. Just as with Patelco's award-winning responses to victims of fires in California, hurricanes in Texas and Puerto Rico, and tornados in the Midwest, Patelco has a sensitivity in assisting our members as they deal with disasters.

At a time like this, it is good advice to step back, take a deep breath, and consider what we know and do not know. While we do not know the duration of this crisis in 2020, we do know we are prepared, we know we have successfully come through dozens of very challenging events in the past, we know we have deep financial strength that you have helped us build, we know our focus is on you our member, and we will, even now, continue to build for the future with new offerings, and new and better ways of service. Your board of directors is grateful that we are allowed to be fiduciaries of what hundreds of thousands of members, employees, and executives have built over 84 years. The board is committed to continuing to grow a solid financial foundation, be competitive within the financial services industry, and continue furthering the goal of enhancing members' financial wellness.

**Peter Hanelt**  
*Chairman – Board of Directors*



# President and CEO's report

As we closed out 2019, we were thrilled that almost 370,000 members had deposited more than \$6.1 billion with us, making our assets nearly \$7.3 billion at year-end. This represents the trust that you have put in us to manage your money and, more importantly, to be your trusted advisor. While this seems impressive, numbers are just numbers. What really matters is building your financial wellness.

## Initiatives for Your Financial Wellness

In 2019 we continued our focus on building the financial wellness of our members and local communities with several initiatives. We expanded our Patelco at Work program, and successfully launched four new partnerships offering financial wellness to 15,000 partner

employees — including our expert advice and access to free one-on-one financial planning and financial workshops.

Our branch managers are actively connecting with the people around their branches, going out into the community more than ever before to share Patelco's mission at local expos and events. We're increasing awareness of what makes credit unions special — and how Patelco in particular stands out because we design everything around the financial wellness of our members.

More than a dozen team members in our branches received training and certifications to offer financial counseling. We're most excited when we introduce services like this, which have a direct impact on our members' financial wellness. If you'd like to talk to one of our Certified Financial Specialists — about anything from creating a budget to saving up for college to building or repairing your credit — visit your local branch to set up a complimentary appointment.

## Fewer Fees and Unique New Products

We really do look at all things from a financial wellness perspective — not only programs like those mentioned above but also our fees, products, and rates. We price for you first and for building necessary capital second. In 2014, we eliminated 39 fees that we felt didn't contribute to our members' wellness. As of December 1, 2019, we eliminated 9 more — fees that cost members over \$370,000 a year. That's 48 fees eliminated because our focus is on serving you and your best interests.

In 2019 we also introduced a brand-new checking product called Patelco Plus Checking, designed to protect your identity and money, cut your costs, and boost your savings. We chose a robust suite of benefits for Plus Checking, including credit monitoring with ID theft protection and an online vault to secure sensitive information. To cut your costs, we added ATM

fee rebates, exclusive discounts for everyday purchases, roadside assistance, and cell phone protection. And to boost your savings, it also comes with automatic round-up savings — we'll round-up your total to the nearest dollar and transfer the difference into your savings account, then match 10% of the rounded-up amount — up to \$500 per year.

## Looking Ahead in 2020

In the midst of COVID-19 pandemic, this commitment to building your financial wellness matters more than ever. Even as the economy and world events have rocked the stock market and interest rates in the first quarter of 2020, our commitment remains unchanged. We're still here to deliver the products, services and trusted advice that you need along your financial journey. Whether on the phone, online or at your local branch, we are here to serve. We're proud to deliver extra solutions to support our members during these unprecedented circumstances — including delaying payments, increasing credit lines, waiving fees, and offering special loans. We know that you may be feeling some uncertainty during these turbulent times. We're here for you every step along the way and look forward to getting through this together. We hope you and your loved ones stay safe and healthy.

**Erin Mendez**

*President & Chief Executive Officer*



# 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.





# Members First, In Action

In 2014, we eliminated 39 fees that we felt didn't contribute to our members' wellness. On December 1, 2019, we eliminated 9 more – fees that cost members over \$370,000 a year. That's 48 fees we eliminated because we didn't feel that they served our members' best interests.

As we embark on this new year, in this new decade, we're proud to focus on finding new ways to support our membership.

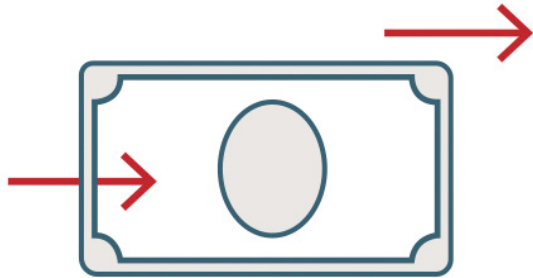
# Improving our members' financial well-being

## Benefits returned to our membership

	Q4 2015	Q4 2016	Q4 2017	Q4 2018	Q4 2019
Total annual CU benefits per Member	\$133	\$181	\$180	\$253	\$189
Total annual CU benefits per Member household	\$252	\$344	\$377	\$532	\$397

	Quantity	Estimated Return to Member	Estimated Return to Patelco
CD/IRA Specials	7,308 members	\$3.62 million	\$438 million balances
Money Market	26,754 new accounts	\$867,459	\$213.12 million balances
Disaster Relief Loans	103 new accounts	\$21,037	\$201,722 balances
Debt Consolidation Loans	3,426 new accounts	n/a	\$41.95 million balances
LevelUp Program	11,262 enrolled members	9,873 members received rate reduction	n/a
Credit & Debit Card Fraud Prevented	11,649 fraud attempts	n/a	\$2,152,431 fraud prevented
Overdraft Protection Loan	158,608 total advances	\$283,500 saved in overdraft fees	n/a
NSF Fee Cap Reimbursements	6,778	\$189,784	n/a

# Member engagement



## BORROW RESPONSIBLY

**24,462** vehicles financed

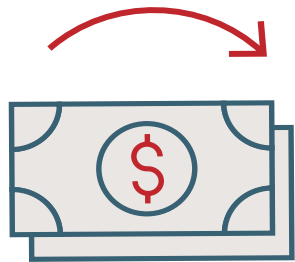
**2,192** home loans financed

**1,958** equity loans/lines financed

**145** loans restructured to make payments more affordable

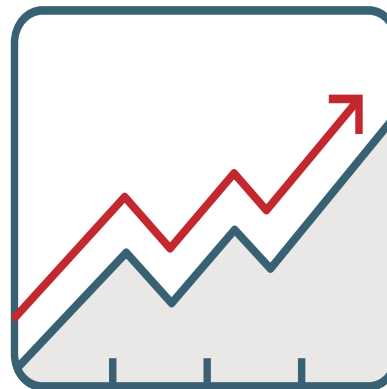
**11,262** members enrolled in LevelUp program with 9,872 receiving rate reductions

**631** deferrals completed for members (regular and disaster)



## PLAN PURPOSEFULLY

**158 more members** invested in their future through Patelco Financial Solutions



## SAVE DILIGENTLY

**26,464** members opened Money Market accounts

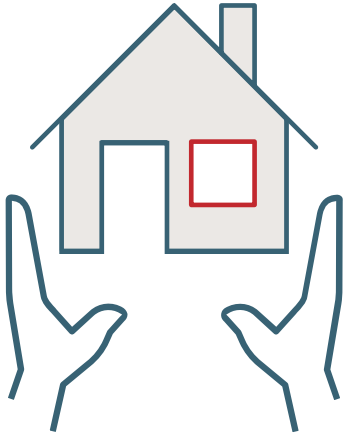
**7,860** members invested in CD specials

**Members saved \$118,197** of their own money through the Plus Checking Round-Up feature



# 2019 Corporate social responsibility

## AFFORDABLE HOUSING



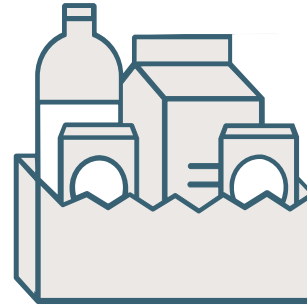
**Donated \$72,500 to Habitat for Humanity**

for the Women's Leadership Build, Financial Wellness Classes and sponsoring the Cycle of Hope. We also supported the San Francisco Housing Development Corporation.

**35 volunteers and 162 volunteer hours**



## HEALTHY NUTRITION



**Collected 4,809 pounds of food**

from team members and members **to support 8 food banks** in Northern California. We changed our food collection in every branch and at our headquarters to the **summer** which helped our food banks stay stocked all year long.

**Donated \$5,000 with 87 volunteers** providing **224 hours**.

## CHILDREN'S HEALTH



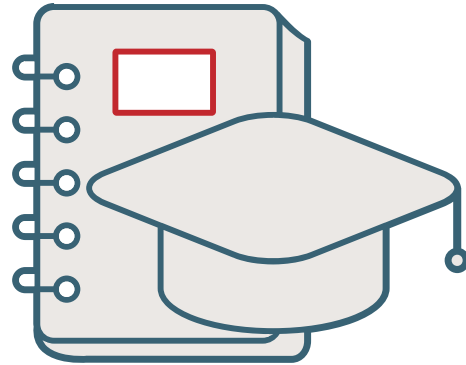
**Donated \$153,020, 399 volunteer hours and 114 volunteers**

to St. Jude Children's Research Hospital®, Children's Miracle Network, March of Dimes, UCSF Benioff Children's Hospital, the Patelco Sports Complex, and the Wender Weis Foundation for Children.



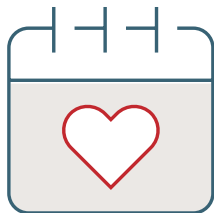
## FINANCIAL LITERACY

Educated 3,453 participants while doing 104 presentations for 36 organizations



**Small Talk for Big Changes** educational videos were seen by **59,452 viewers**.

## WEEK OF GIVING



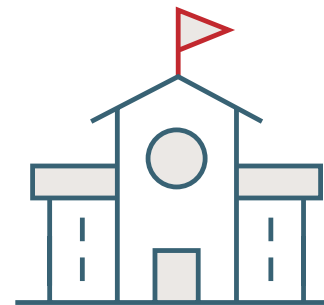
Donated **\$57,000**

to **five food banks** and distributed directly back to our members

## OTHER CHARITABLE CONTRIBUTIONS

Donated **3,000 pairs of socks**

to Open Heart Kitchen, Livermore Homeless Refuge, and Tri-Valley Haven.

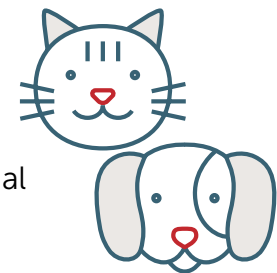


Donated **\$9,250**

to organizations such as the YWCA, Team Giving and the Jenny Red Golf Tournament.

Contributed **\$21,365 in aid**

to North Valley Catholic Social Service for **wildfire relief** via Pets of Patelco.



# Community impact

At Patelco, we've continued our mission to help improve our members' financial well-being and better our communities. We focus on Affordable Housing, Children's Health, Food Insecurity, and Financial Literacy. Through donations of money and goods, volunteer hours and special programs, like disaster relief, we've continued to uplift the communities we serve and truly make a difference.

## Habitat for Humanity and Financial Education

As a long-time supporter of Habitat for Humanity we wanted to expand that partnership and add our expertise – financial literacy – to our partnership. Our home loan experts enhanced Habitat's First-Time Home Buyer classes with their expertise and support. And we offered financial education classes – with a different topic and location every month – so those waiting for housing and those who already have housing can build their financial security. Both Habitat families and Patelco members took advantage of these opportunities in equal numbers proving that this partnership works!

## Week of Giving

During one week in December, our employees were empowered to identify members they felt could use a special touch and a small act of kindness in the form of a gift card. Giving back to our members directly put a spotlight on the thoughtfulness our team brings to work every day to help our members achieve financial health and well-being. The week culminated in large donations to Food Banks reaching every area we serve to meet the needs of food insecurity.

The impact from our giving in 2019 left a powerful and distinct mark in the footprint of our communities and a lasting impression on our employees. We are proud to be active in the community through our volunteer activities, our community partnerships and by responding to unexpected needs.





785

Total  
volunteer  
hours



\$317,635

Total dollar  
contribution





# Helping our members live their best financial life



**Aki | Member for 22 years**

"If I think about it, over the course of 22 years, I've probably saved thousands of dollars in fees."

**Jerry | Member for 15 years**

"They give me the best advice without looking for personal gain."





**Dylan | Member for 4 years**

"Everyone's so genuine. It's just a real intimate experience banking with Patelco and that's why I love it so much."

**Elmer | Member for 40+ years**

"Patelco is part of my financial strategy."





# New branches

## Sunnyvale

In November 2019, we opened our newest branch in Sunnyvale, California designed to further serve the communities of Silicon Valley. This branch was inspired by our members-first, partnership-driven philosophy to always keep our member's best financial interests at heart.

"We are proud to expand to Sunnyvale to better serve the communities of Silicon Valley and beyond," said Erin Mendez, Patelco President and CEO. "At Patelco, we're committed to providing innovative and efficient solutions that will allow us to aid our members as they build financial strength in a more tailored, personal way. We're especially excited to foster these experiences with our technology-focused communities of the Silicon Valley in mind."



## Novato

In May of 2019, Patelco opened its new branch in Novato, California to enable the Credit Union to better serve our members with modernized facilities and amenities that foster connection with the greater community. This location is also part of Patelco's aim to help our members live their best financial lives by being there for them every step of the way, both in person and online.





**Patelco is proud to have opened the doors to our new headquarters** in Dublin, California to accommodate our rapidly growing workforce while furthering our mission to improve the financial health and well-being of our members throughout Northern California. The larger office space is a proud reflection of our team's efforts in serving our members. It will also help our team members lead balanced lives, thanks to its more convenient access to public transportation, shops, restaurants and additional outdoor space.

Patelco has spent the last year remodeling the building at 3 Park Place to accommodate nearly half of our 750 team members (and counting) in Northern California. The remodel also includes private offices for members to meet with financial health counselors, along with classroom space for Patelco and its non-profit partners to provide financial well-being classes and seminars for the broader community.

After a very successful grand opening celebration, we've been excited to get to work serving our membership in what will be Patelco's home for years to come. We'd like to thank our dedicated members, community partners, and Dublin Mayor David Haubert for giving us such a warm welcome to the community.



# Chief Financial Officer's report

As we look forward to Patelco's 84th year serving our members, I am pleased to report that our institution continues to be financially healthy and well positioned for the future. In 2019, we grew our assets to over \$7.290 billion while our total equity grew to \$760.2 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 support our members' financial well-being, and these figures reflect our members' preference for Patelco as their trusted financial partner.

*Susan Gruber*

**Susan Gruber**  
*Chief Financial Officer*



# Credit Lending Officer's report

In 2019, we surpassed \$7.290 billion in assets, making us the 22nd largest credit union in the United States, based on total assets. This financial position has allowed us to continue supporting our members' financial well-being through competitive rates, and in 2019 we granted our members over \$2.3 billion in loans, including over \$1.4 billion in home loans. We remain committed to helping members in all our California communities to achieve their financial goals.

*Richard Wada*

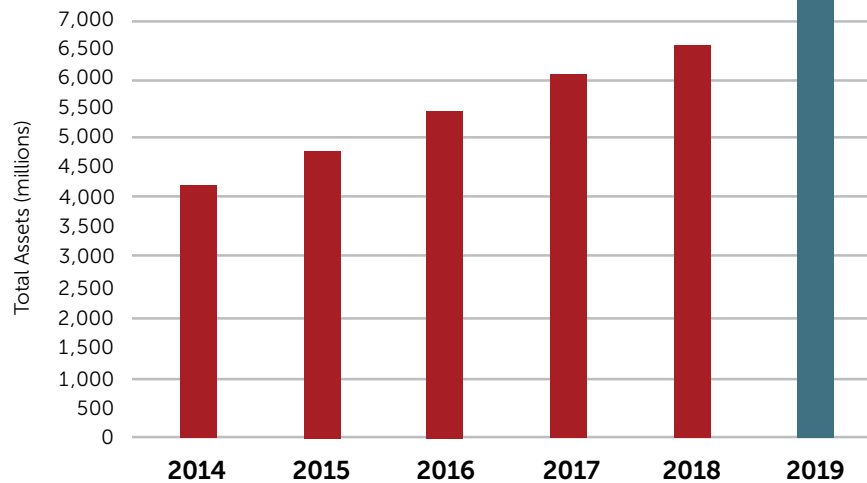
**Richard Wada**  
*Chief Lending Officer*



# Key performance figures

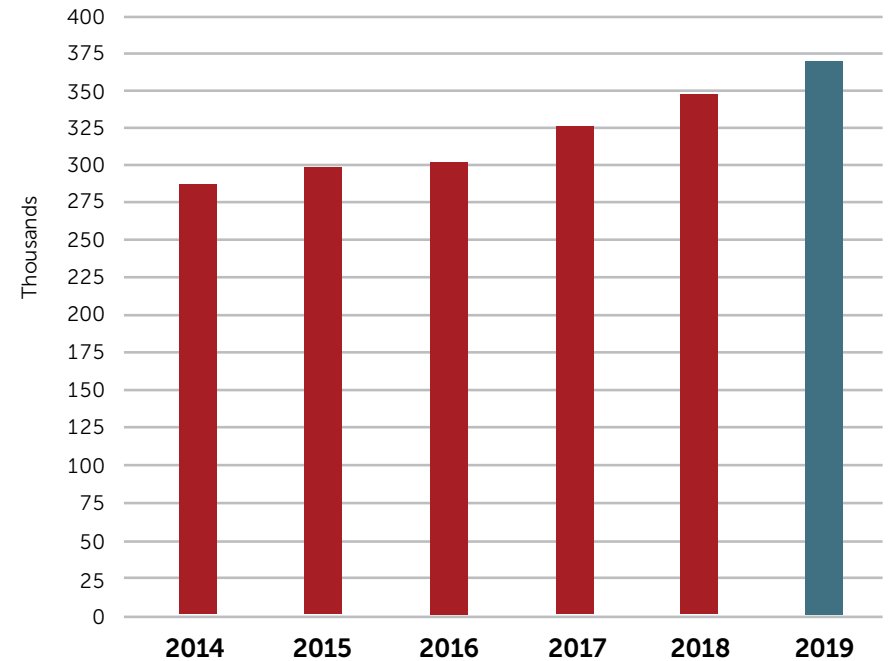
## ASSETS

Assets increased further to \$7.290 billion in 2019



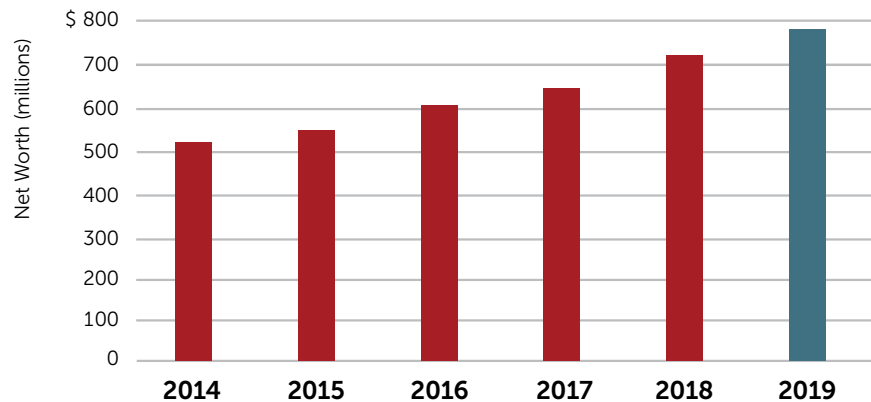
## TOTAL MEMBERSHIP

Membership is growing each year



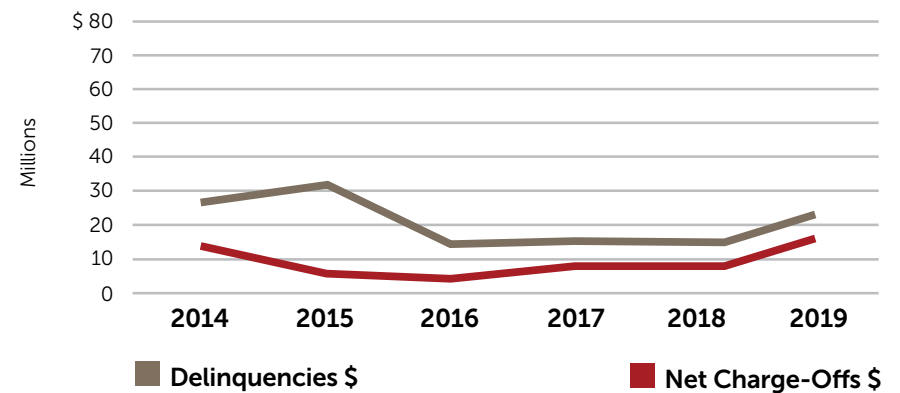
## NET WORTH

Net worth continues to increase



## NET CHARGE-OFFS AND DELINQUENCIES

Asset quality has remained stable





# 2019 Consolidated Financial Statements

For Year Ending 12/31/2019 (in thousands)

## Assets

Cash and cash equivalents	\$	393,192
Reverse repurchase agreements, at fair value		225,000
Investments		
Marketable equity securities, at fair value Available-		17,667
for-sale debt securities, at fair value Other securities		785,517
		23,694
Loans, net		5,533,227
Loans held for sale, at fair value		50,066
Accrued interest receivable		16,196
Property and equipment, net		98,741
National Credit Union Share Insurance Fund deposit		57,621
Goodwill		24,410
Other assets		65,009
<b>Total assets</b>		<b>\$ 7,290,340</b>

## Liabilities and Members' Equity

### Liabilities

Members' shares	\$	6,130,175
Borrowings		350,000
Accrued expenses and other liabilities		49,980
<b>Total Liabilities</b>		<b>6,530,155</b>

Members' equity		
Retained earnings		783,854
Accumulated other comprehensive loss		(23,669)
<b>Total members' equity</b>		<b>760,185</b>

<b>Total liabilities and members' equity</b>		<b>\$ 7,290,340</b>
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## Interest

### Interest income:

Loans	\$	211,877
Investments and cash equivalents		31,481
<b>Total interest income</b>		<b>243,358</b>

### Interest expense:

Dividends		67,863
Borrowings		5,170
<b>Total interest expense</b>		<b>73,033</b>
Net interest income		170,325
Provision for loan losses		12,300
Net interest income after provision for loan losses		158,025

### Noninterest income:

Service charges and other fees		15,635
Merchant card and other network income		27,213
Net gains on sales of loans		5,450
Change in fair value of loans originated for sale		518
Net gain on mortgage hedging		499
Net gain on sale of investments		501
Other noninterest income		6,611
<b>Total noninterest income</b>		<b>56,427</b>

### Noninterest expense:

Salaries and benefits		81,530
Operations		42,058
Loan servicing		13,083
Occupancy		12,826
Net loss on sale and disposal of other real estate owned (OREO) and other assets		80
<b>Total noninterest expense</b>		<b>149,577</b>

<b>Net income</b>	<b>\$</b>	<b>64,875</b>
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# 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, 2019. 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, 2019, and the results of their operations for the year then ended, in accordance with U.S. 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, 2019. 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

**Jesse Rivera**

First Vice Chair  
Segal Consulting

**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  
TeamCo Advisors, LLC

**Jeffrey Parks**

Director  
RPM Mortgage

**Vickie Rath**

Director  
American Ratings Corporation

**Emily Schubert**

Director  
LinkedIn

**Tracey Scott**

Director  
Housing Executive

**Garick Zillgitt**

Director  
Insurance Executive

## Executive Team

**Erin Mendez**

President  
Chief Executive Officer

**Susan Gruber**

Executive Vice President  
Chief Financial Officer

**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