



65 YEARS OF GROWING TOGETHER!
2018 ANNUAL REPORT





Continuing to Move Forward

For 65 years, we have steadily built a strong foundation to provide financial solutions to the unique membership we serve.

Throughout the years, we've occupied many locations, from where we first started in the old horse stables behind Park Station, to our upcoming move to the new San Bruno Administrative building. Every step in our journey has been centered around our unwavering commitment to deliver exceptional service and value to members.

As many of our team moves to the new administrative facility, we wholeheartedly recommit to the promise made 65 years ago of offering the best in financial services to take care of our own.

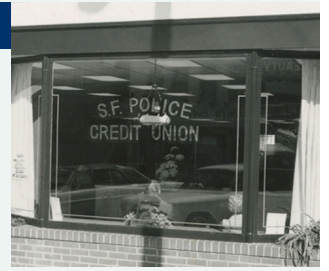
1953

First branch opened in the old horse stables behind Park Station



1967

The Credit Union moves to Noriega Street



1978

The Credit Union expands to the building next door on Noriega Street



1989

The Credit Union moves to Irving Street



2003

The San Mateo branch is opened



2005

The Bryant Street branch is opened



2009

The Pleasanton branch is opened



2014

The Oakland branch is opened



2016

Groundbreaking for new Administrative building and branch in San Bruno



2018

San Bruno Administrative Building and branch nearly done





CHAIRMAN & BOARD OF DIRECTORS REPORT

The SF Police Credit Union celebrated a major milestone in 2018, marking our 65th Anniversary as an organization dedicated to promoting the financial well-being of our members. Upon reflecting on those many years of service, the legacy of the SF Police Credit Union is one of tremendous pride.

Our credit union has continually expanded the resources and services necessary to meet the changing needs of a growing and diverse membership. At the close of 2018, we had more than \$900 million in assets and nearly 41,000 members. In the face of changing times, we remain committed to our core purpose: *Providing financial solutions to take care of our own.* This principle underlies our "20/20 Vision", an organizational blueprint which establishes our goals and objectives as we move forward and confront issues such as the volatility of financial markets and escalating pressures on the economy which are the reality of today's financial world. This strategy allows us to deliver maximum value to our members while continuing to exclusively serve members of law enforcement agencies and their families.

Over the past five years, the financial services industry has been affected by a number of sweeping changes; new regulatory burdens, tighter operating margins, a growing demand for online and mobile banking and escalating cybersecurity threats. Today's financial environment presents challenges that are vastly different from those in the past. Due to increased competition in the financial industry, it is critical that institutions keep pace in a rapidly-shifting climate. It is essential to achieve measured, steady growth to attain the capital and resources needed to persevere against unfavorable changes in the financial market. Sustainable growth is essential to our long-term financial strength as it provides us with strong and stable income sources to attain cost efficiencies to generate healthy net earnings, all of which are re-invested in the credit union. In contrast to a commercial bank, SF Police Credit Union returns its earnings to its member-owners in the form of low cost loans, competitive yields on deposits, significantly reduced fees and highly personal service with an emphasis on 24/7 convenience.

One aspect of our business operation is that unlike community credit unions, we are restricted to offering membership only to those within our eligible professional group. Through our bylaws and by choice, we extend membership exclusively to those in law enforcement or related associations and their families. Since increasing membership is a key driver of a credit union's overall growth, it was decided, after careful consideration, to request approval to expand our charter in terms of our geographic range. Whereas our field of membership previously included

only the nine Bay Area counties, we requested and received approval from the State Department of Business Oversight to begin serving law enforcement personnel and their families throughout the entire state of California.

In an effort to attain an expanding field of membership and set in place best practices to serve members outside of our immediate branch network, we identified key elements necessary to succeed: a solid infrastructure to provide convenience, recruitment and training of the right people to provide a superior member experience, and ensuring that we are the primary choice for our members through innovative products and technology.

From 65 years of serving our members, we know that individuals in law enforcement and their families face unique challenges that come with the occupation, and this experience has afforded us a deeper understanding of their changing financial needs. Through various forms of research it was revealed that law enforcement agencies throughout California trust our reputation, value, and service and welcome the opportunity to join the SF Police Credit Union. This expansion will guarantee the future of our credit union in an increasingly competitive market, and growth in our field of membership will provide an increased base of assets for continued financial strength and stability, providing the resources to enhance service to members.

2019 will be a very busy year, culminating through years of planning into future growth and expansion. One of the major steps toward our strategic vision will be realized when we move into our new Administrative building in San Bruno. Other significant planned achievements include the opening of a new branch in San Mateo and closing the existing location as an efficiency and cost cutting move, selecting a new state-of-the-art core computer system and facilitating the upgrade of digital banking capabilities while adding significant product enhancements. These initiatives will prove to be outstanding factors which aid the growth of membership, financial strength, and overall soundness of the SF Police Credit Union.

We are committed to our 65th anniversary theme, "**Remembering our Roots, Envisioning our Future,**" which truly represents our approach to everything we do. While we make vital strides forward to growing prosperity and future success, we will never forget our extraordinary legacy.

On behalf of the Board of Directors, thank you for being part of our evolving and inspiring story.

Sincerely,

STEPHEN IACOLINO
Chairman, Board of Directors



2018 BOARD OF DIRECTORS

John Goldberg Vice Chairman • Robert Puts Secretary • Michael Hebel Director • Al Casciato Director • Michelle Jean Director • Glenn Sylvester Director

PRESIDENT/CEO REPORT

In a momentous year commemorating 65 years of service, we achieved significant success benchmarks that matched up with our mission to help our members prosper and enjoy a secure financial future. Our accomplishments in the past year will open new doors in the year ahead, and enable us to effectively manage the challenges of today's volatile banking environment.

Our year-end results were achieved in core areas that attest to steady, sustainable growth supported by healthy revenues. We crossed the \$900 million threshold to end the year with \$903,563,083 in assets. Solid loan growth of 7.72 percent and a strong loan-to-share ratio of 83 percent indicate we are delivering member value while positioned for strong earnings. Additionally, our outstanding net worth ratio of 14.30 percent places us well above our peers, is more than twice the federal requirement for safety and soundness, and provides us with a financial cushion to weather any future economic downturn.

Last year, we also did an excellent job managing our income to meet operating expenses, as represented by an efficiency score of 70.6 (70% is the gold standard). Another key metric, Return on Assets (ROA) was .51 percent, which exceeded 2018's operating budget.

Despite the challenge of growing membership solely from select employee groups (SEGs) made up primarily of law enforcement personnel and their families, we still grew by 1.80 percent in 2018 to reach 40,956 members. A strategy to effectively address our need to increase our membership growth is our recently obtained approval to expand membership eligibility to law enforcement professionals and their families throughout California.

As important as attracting new members is to our long-term success, exceeding the expectations of our current members is no less critical and requires we hear what our members say is working and what can be improved. Throughout 2018, we conducted monthly online surveys based on members' specific transactions, and calculated a composite score of all transaction channels. We're pleased to report an average Monthly Effort Score of 6.79 out of a possible 7.

Members clearly communicated that ease of use in mobile and online banking is becoming increasingly important, areas which we recognize need enhancement. In 2018, we completed a redesign of our homepage to make navigation simpler, with key information like our routing number easier to find. We also assessed the functionality of our core computer system and determined that we need a next-generation solution to provide the innovative products and services our members tell us they want. As this will be a significant enterprise-wide project, we selected an experienced partner to help us find the right system.

Partnering with trusted organizations also enables us to offer our members access to a wider range of high-value financial solutions. Working with Enterprise Car Sales, we increased the discount rate of our auto loans to 1% when a member purchased a car through Enterprise and financed with SFPCU. This highly popular program funded over \$2 million in vehicles purchased with Enterprise! In November, we obtained approval to partner with the San Francisco Federal Home Loan Bank (SFFHLB). Not only will this help lower our interest rate risk so we can continue making new fixed-rate home loans to members, this partnership will also enable us to offer a new array of mortgage products, many with lower down-payment requirements, to better serve first-time homebuyers.

With a solid foundation established in 2018, we embark on a new year of exciting milestones in 2019. We are close to completion of our new Administrative Building in San Bruno, with all support departments scheduled to be moved in by the end of March. Next will be the long awaited move of our San Mateo branch to its new location, also scheduled for late March.

In recognition of the increasing importance of offering state-of-the-art online convenience, in 2019, we will continue to advance our digital capabilities with major enhancements to our technology infrastructure. This includes an upgrade to a new lending platform to streamline the application process and begin enabling instant decisioning on loans. We'll also be selecting a new core system and will partner with a new online and mobile banking partner to drive greater functionality, account security and overall ease-of-use.

Our members can also anticipate enhanced product offerings in 2019, including a new Rewards checking account with advantages such as retail discounts on debit card purchases, and perks such as identity theft protection, roadside assistance and discounts on cell phone repairs. We will also be redesigning our Visa credit card and Home Equity Line of Credit.

After a landmark year of celebrating SFPCU's 65th Anniversary, we are now at the forefront of tremendous new opportunities to take our service and member value to exciting new levels. Thank you for placing your trust in us, and for your part in ensuring our future success as a member-owned organization!

Respectfully yours,



Eddie Young
President/CEO





FINANCIAL STATEMENT

Consolidated Statement of Financial Condition As of December 31, 2018

Assets	2016	2017	2018*
Cash and Cash Equivalents	\$98,730,183	\$19,652,242	\$32,456,434
Investments	175,149,953	193,298,986	159,340,095
Net Loans to Members	524,168,234	593,326,967	636,461,036
Fixed Assets	24,496,164	36,710,190	49,458,590
Other Assets	22,205,640	35,886,852	25,846,928
Total Assets	\$844,750,174	\$878,875,237	\$903,563,083

Liabilities and Members' Equity	2016	2017	2018*
LIABILITIES			
Accounts Payable and Other Liabilities	\$4,716,361	\$4,571,019	\$4,498,272
Notes Payable	0	0	0
Total Liabilities	4,716,361	4,571,019	4,498,272
MEMBERS' EQUITY			
Members' Shares	721,730,621	752,240,343	773,497,465
Total Equity	118,303,192	122,063,875	125,567,346
Total Members' Equity	840,033,813	874,304,218	899,064,811
Total Liabilities and Members' Equity	\$844,750,174	\$878,875,237	\$903,563,083

*Unaudited Financial Statements



FINANCIAL STATEMENT

Consolidated Statement of Earnings As of December 31, 2018

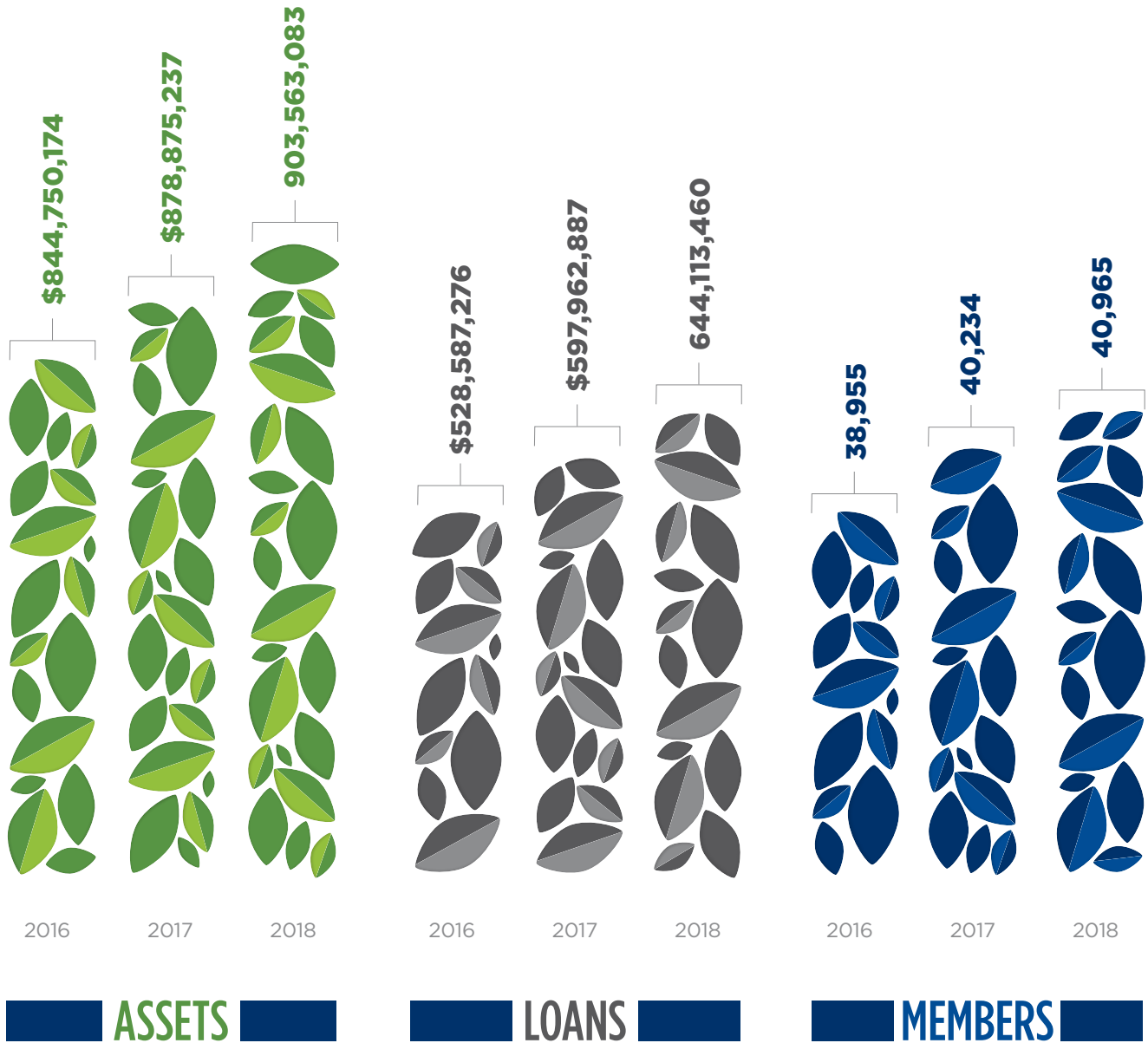
	2016	2017	2018*
Interest from Loans	\$23,416,398	\$24,471,927	\$26,393,896
Interest from Investments	3,892,688	3,842,109	4,088,686
Total Interest Income	27,309,085	28,314,036	30,482,583
Dividends	2,055,633	2,202,458	2,592,888
Interest on Borrowings	0	0	0
Total Interest Expense	2,055,633	2,202,458	2,592,888
Net Interest Margin	25,253,452	26,111,577	27,889,695
Provision for Loan Losses	2,753,798	3,663,216	4,460,498
Net Interest Margin after Provision for Loan Losses	22,499,654	22,448,361	23,429,197
Non-Interest Income	4,861,277	4,713,375	5,165,097
Operating Expenses	22,821,348	23,161,421	24,046,353
Non-Operating Income/(Expenses)	0	0	0
Net Income	\$4,539,583	\$4,000,315	\$4,547,941

*Unaudited Financial Statements





KEY PERFORMANCE METRICS: 2016-2018





2018 INDEPENDENT AITOR'S REPORT

Board of Directors and Supervisory Committee S.F. Police Credit Union

We have audited the accompanying financial statements of S.F. Police Credit Union (the credit union), which comprise the statements of financial condition as of December 31, 2017 and 2016, the statements of income, comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the credit union's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the credit union's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of S.F. Police Credit Union as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Turner, Warren, Hwang + Conrad

Turner, Warren, Hwang & Conrad
Burbank, California
April 9, 2018





SUPERVISORY COMMITTEE REPORT FOR 2018

On the occasion of our 65th Annual Meeting, we are pleased to report that SF Police Credit Union continues to thrive and grow. In 2018, our Credit Union distinguished itself by earning \$4,547,941 (net income). Today we serve 40,965 members from our five branch locations — Irving Street, Bryant Street, San Mateo, Pleasanton and Oakland, as well as our Contact Center.

Your elected Supervisory Committee is directly responsible to the membership for ensuring that board actions, audits and operations functions are in compliance with the rules and regulations of the SFPCU. We emphatically state that our credit union operates as a safe, efficient, financially sound and well capitalized affinity-group Credit Union.

Our Credit Union remains committed to its mission statement, “to provide our members with exceptional service, outstanding products and expert guidance.” We are pleased to report that our Credit Union has again received for 2018 the prestigious BauerFinancial 5-Star Superior rating, the highest rating given for financial strength and stability.

As required by the California Financial Code, we proudly submit the following important measures of financial health as of December 31, 2018:

Your Supervisory Committee thanks the staff, management, Board of Directors and other volunteers of our Credit Union for another successful and prosperous year.

Frank Hedley
Committee Chair

Barbara Brewster
Committee Member

Richard Corriea
Committee Member

TOTAL SHARES

\$773,497,465

TOTAL ASSETS

\$903,563,083

TOTAL LOANS

\$644,113,460

DIVIDENDS PAID

\$2,592,888

TOTAL MEMBERS

40,956



ELECTIONS COMMITTEE REPORT FOR 2018

On the occasion of our 65th Annual Meeting of the SF Police Credit Union, the Nominating Committee is pleased to report the nominations for vacancies on both the Board of Directors and the Supervisory Committee occurring in 2019.

Nominations for Board of Directors and Supervisory Committee vacancies in 2019 were received from May 17th, 2018 through June 30th, 2018. There are three vacancies occurring on the Board of Directors and one vacancy on the Supervisory Committee, each for a three year term.

There are three candidates nominated for the three vacant seats on the Board of Directors in 2019. The candidates are Stephen Tacchini (incumbent), Robert Puts (incumbent) and Michelle Jean (incumbent). No other statements of intent to seek election were received. Because the number of candidates equals the number of vacant seats, an election is not necessary. The candidates are to be declared elected under the By-laws at Article VIII, Section 6.

There is one candidate nominated for the one vacant seat on the Supervisory Committee in 2019. The candidate is Frank Hedley (incumbent). No other statements of intent to seek election were received. Because the number of candidates equals the number of vacant seats, an election is not necessary. The candidate is to be declared elected under the By-laws at Article VIII, Section 6.

Respectfully submitted to the membership,

Michael S. Hebel
Committee Chair

John R. Goldberg
Committee Member

Joseph Reilly
Committee Member



COMMUNITY EVENTS 2018





1 Our staff walks in support of Walk MS: San Francisco 2018

April 22, 2018 • SF Police Credit Union joined the SFPD to lace up their walking shoes in support of the fight against MS on April 22, 2018. Walk MS is an annual effort that raises money to end multiple sclerosis.

2 SFPCU attends 2018 Peace Officers' Memorial Ceremony

May 7, 2018 • Our President/CEO, Eddie Young, and VP of Membership Development, Darlene Hong, were honored to represent SFPCU at the 42nd Annual California Peace Officers' Memorial Ceremony in Sacramento on May 7, 2018. The annual ceremony honors officers who have died in the line of duty, while recognizing the sacrifices made by their loved ones. SF Police Credit Union is proud to support the California Peace Officers' Memorial Foundation and their mission to honor California peace officers who have made the ultimate sacrifice. And in 2018, we had the additional privilege of having the name of the credit union listed on the wall as a proud sponsor.

3 SFPCU employees donate to the Paradise Police Officers Association

November 2018 • As a credit union dedicated to serving law enforcement, we are committed to taking care of our own during a time of great need and hardship. The Camp Fire caused catastrophic damage to a large area of Northern California, including destroying the town of Paradise. The Paradise Police Department of 18 officers and support staff lost their homes to the fire, including their Chief of Police. To help the victims of the wildfire, SFPCU employees donated \$984.00 to the Paradise Police Officers Association and the funds were used to help the displaced officers/staff and their families.

4 SF Police Credit Union is an annual supporter of the SF Police Activities League (SF PAL) Toy Drive!

December 4, 2018 • In 2018, we continued our annual tradition of supporting the SF Police Activities League toy drive benefiting St. Luke's Hospital. Our collection barrels were overflowing with toy donations from our generous members! We thank the SF PAL for coordinating this toy drive every year. L-R: Larisa Shilova, Darlene Hong, Kathleen Litman, Eddie Young, and Brian Young (SFPCU) with Officer Mike Costello (SFPD).

5 SFPCU Staff Volunteers at the Cops Care Cancer Foundation Fantasy Flight

December 5, 2018 • SFPCU staff, including Natalie Signorelli, Deirdre Cloherty, Kathy Chen, Jan Fuentes, Nelly Iran, and Lily Chew, were excited to volunteer with the Cops Care Cancer Foundation (CCCF) for their annual Fantasy Flight in Sunnyvale. The CCCF is made up of local police and civilians that raise funds for children who are stricken with cancer. Their yearly Fantasy Flight event allows 300+ children and their families to enjoy a day of holiday fun—including special gifts delivered by Santa via helicopter!

6 Braving the Bay in support of Special Olympics of Northern California!

December 8, 2018 • SFPCU staff Braved the Bay on Saturday, December 8th to help raise money for Make-A-Wish. Participating in the Polar Plunge is becoming an annual tradition for many of our staff! (L-R): Rick Lynch, Priscilla Guterres, Anita Diaz, Kymberli Roberts, Julio Pinto, Fong Lam, Chris Tom, Angela Boeldt and Jessa Guevara.





BRANCH LOCATIONS AND CONTACT INFORMATION

BRANCH & ATM LOCATIONS

★ **Administrative Building**

1250 Grundy Lane
San Bruno, CA 94066

★ **Main Office and Branch**

2550 Irving Street
San Francisco, CA 94122

★ **Bryant Street Branch**

802 Bryant Street
San Francisco, CA 94103

★ **San Mateo Branch**

4060 South El Camino Real, Suite F
San Mateo, CA 94403

★ **Pleasanton Branch**

6689 Owens Drive, Suite 125
Pleasanton, CA 94588

★ **Oakland Branch**

559 5th Street
Oakland, CA 94607

★ **Full Service ATM SFPD Southern Station**

1251 3rd Street
San Francisco, CA 94158

★ **In addition to SFPCU branches, as a member you also have fee-FREE access to CO-OP ATMsSM and CO-OP Shared BranchesSM.**

To find the location closest to you,
visit www.sfpcu.org/locations.

CONTACT INFORMATION

24/7 Contact Center • 800.222.1391

MemberLink 24-Hour Transactions • 800.871.3419

Email • Members_info@sfpcu.org

No-Cost Auto Buying Service for New Vehicles
800.716.9550

Enterprise Car Sales for Pre-owned Vehicles
www.sfpcu.org/enterprise

Realtor Referral Affinity Program
Speak with a Century 21/Affinity Program Realtor
888.882.8098

BALANCESM Financial Fitness Program • 888.456.2227

MEMBERSTM Financial Services • 415.682.3361

Lost or Stolen Cards
Visa[®] Credit Card
800.449.7728
Mastercard[®] Debit Card
800.222.1391 & 888.241.2510 (after hours)

Falcon Fraud Service Center
Visa[®] Credit Card • 888.918.7313
Mastercard[®] Debit Card • 888.241.2440



SFPCU PRODUCTS & SERVICES

SFPCU ONLINE

Online Banking

www.sfpcu.org

iPhone® and Android™ Mobile Banking Apps

Search for SF Police CU in the iTunes App Store or Google Play store to download our app for free!

Special Discounts

www.sfpcu.org/specialdiscounts

Facebook

www.facebook.com/SFPoliceCreditUnion

More Online Services to Manage Your Finances

Bill Pay

Email and Text Alerts

E-statements

Mobile Deposit

Person-2-Person Payment

MoneyTrac (Online budgeting tool)

Mobile Wallet (Apple Pay™, Android Pay™, Samsung Pay, and Microsoft Wallet)

Visa® Checkout (faster online shopping experience)

Read our blog, The Watch at www.sfpcu.org/blog

Follow us on Social Media



PRODUCTS & SERVICES

Home Loans

Home Equity Fixed-Rate Loans and Home Equity Lines of Credit

New/Used Vehicle Loans

Platinum Visa® Credit Cards

Checking with ATM Rebates*

Personal Loans

First Responder Loan

Money Market Wealth Builder Accounts

Certificates

IRAs

As an SFPCU member, you have the opportunity to take advantage of our many outstanding products and services.

Membership at SF Police Credit Union is open exclusively to police and other law enforcement agencies and their families in the Bay Area and throughout California.

Federally Insured by the National Credit Union Administration. Equal Housing Opportunity.

*Terms and conditions apply. Visit www.sfpcu.org/noatmfees.



CELEBRATING 65 YEARS OF PARTNERSHIP



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