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2006 Annual Report



SF Police Credit Union

Financial Services for First Responders



Welcome Message

In this report, you will see how SF Police Credit Union keeps on progressing and growing. New to the report this year, we've added some information on how we help support our member groups. We believe that our members' satisfaction is what keeps us going. In turn, SFPCU gives back to our groups in many ways, especially in person. We've had a lot of success as a credit union and we hope to continue to use that success to help our member groups.

Each year brings new challenges to the credit union and each year the credit union finds a way to respond to those challenges while continuing to provide exceptional service to our members. It's important to not only address economic challenges, but to keep on striving to bring in new products and services. That's why this past year, we have added new security to our online banking, and new processors to service our members better.

Read on for information on how we are doing financially and how we are giving back to our members.



| | 2006 | 2000 | Increase |
|----------------|---------------|---------------|----------|
| Members | 23,704 | 17,921 | .32% |
| Assets | \$461,742,491 | \$311,123,548 | .48% |
| Loans | \$176,116,895 | \$144,222,855 | .22% |



A Message from our President/CEO



As a coterie of first responders, our members dedicate their lives to serving the needs of others. Here at your Credit Union, we take great pride in serving your needs. We understand the importance of teamwork and trust, and we consider ourselves part of your

personal "team," as we work together to enhance your financial situation and build your dreams.

SF Police Credit Union experienced a busy, productive year in 2006, with steady growth in our membership. We appreciate all of our long-time members, and we are delighted to welcome the many new members who are just beginning to discover all the benefits available to them. Since SFPCU is organized as a not-for-profit financial institution, we can use our resources to provide the best possible rates and services, while focusing on the specific needs of our unique membership.

With busy lives and demanding jobs, our members place a high priority on convenient, 24-hour account access. We added some enhancements to our Online Banking and Bill

Pay services in 2006, allowing members to manage their finances more efficiently. You can now view all of your accounts, including those at other financial institutions. You can also set up email alerts, review and pay your bills, download your information into money management software, and much more.

Online security is a top priority here at SFPCU, and we were pleased to introduce a new security feature recently, called PINPROTECT™. This innovative system uses security questions and a personal security image to protect your accounts from unauthorized access. You can rest assured that your information is safe and sound, and you will enjoy convenient access on your own timetable.

In addition to helping our members save time, your Credit Union is also committed to helping you save money. We saw continued growth in our loan volume during 2006, and we are pleased to see that members are taking

advantage of our low rates and special financing programs. When it is time to buy a new home, purchase a car, send your children to college or borrow for a special occasion, be sure to compare our rates and terms. We are here to help you accomplish your goals, and our friendly staff is always ready to answer your questions or assist with the application process.

As we begin another year, we look forward to new opportunities for growth and service. With the support of our loyal members and the dedication of our talented staff and management, we are well positioned for success in 2007 and beyond. We have a proud history behind us, and a bright future ahead! And, we are glad that each of you has chosen to make us your financial partner for the years to come.

Respectfully Yours,

A handwritten signature in black ink, appearing to read "Michael R. Sordelli". The signature is fluid and cursive.

Michael R. Sordelli, President/CEO



Chairman & Board of Directors Report

Financial Statement

SF Police Credit Union financial and statistic report for period ending December 31, 2006 after closing*



With my fellow members of the Board of Directors I would like to welcome you to this Annual Meeting of the SF Police Credit Union.

As of November 30, 2006 our membership stands at 23,633 and our assets are \$460,039,952. We have returned dividends to our members of \$8,556,051, that is 38.612% of our income.

This has been a very challenging year (2006) for both the staff and the Board of Directors. Many credit unions have changed their charters to community credit union. This allows them to take in anyone and everyone, but in spite of all of this your credit union has grown in membership and assets.

We are looking forward to 2007 and the challenges it will bring.

As we started this New Year I would like to thank each staff member, our volunteers for their assistance throughout the year. I would also like wish each of you a happy and healthy 2007.

David B. Mayer
Chairman, Board of Directors

Assets

| | |
|---------------------------------------------------------|----------------------|
| Total Loans | \$176,116,895 |
| Less allowance for potential loss | -412,138 |
| NET | \$175,704,757 |
| | |
| Total Cash | 22,539,226 |
| Total Investment | 243,240,714 |
| Total Prepaid & Deferred Expenses | 653,620 |
| Land & Buildings Less Depreciation | 7,175,588 |
| Furniture, Fixtures & Equipment Less Depreciation | 875,659 |
| Total Other Assets | 11,552,927 |
| Total Assets | \$461,742,491 |

*Unaudited

Liabilities

| | |
|--------------------------------|--------------------|
| Accounts Payable | \$1,067,167 |
| Taxes Payable | \$32,193 |
| Total Liabilities | \$1,099,360 |

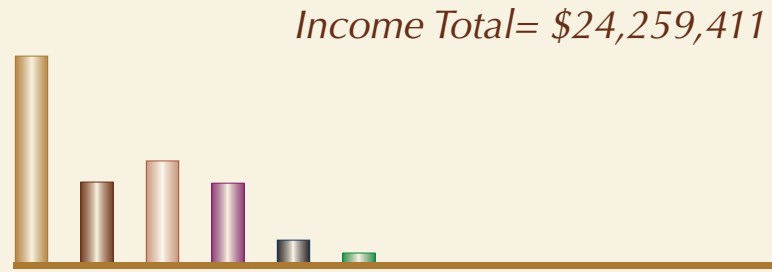
Equity

| | |
|---------------------------|----------------------|
| Total shares | \$386,117,657 |
|---------------------------|----------------------|

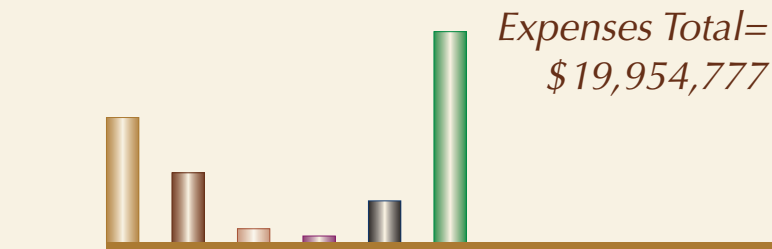
Reserve and Earnings

| | |
|---------------------------------------------|----------------------|
| Reg. Reserve Guarantee Fund | \$9,415,564 |
| Retained Earnings | \$65,109,910 |
| Total Reserve & Earnings | \$74,525,474 |
| Total Liabilities & Equity | \$461,742,491 |

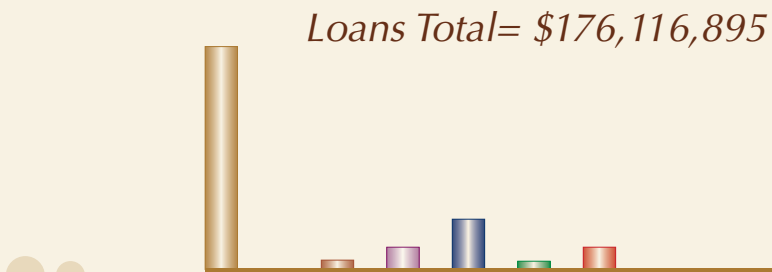
Summary of Income



- Loans\$10,556,020
- Corporate Credit Union\$4,015,911
- Federal Agency Securities\$8,057,836
- Fees & Charges\$401,516
- Miscellaneous Income\$1,007,035
- Other Investments\$221,094

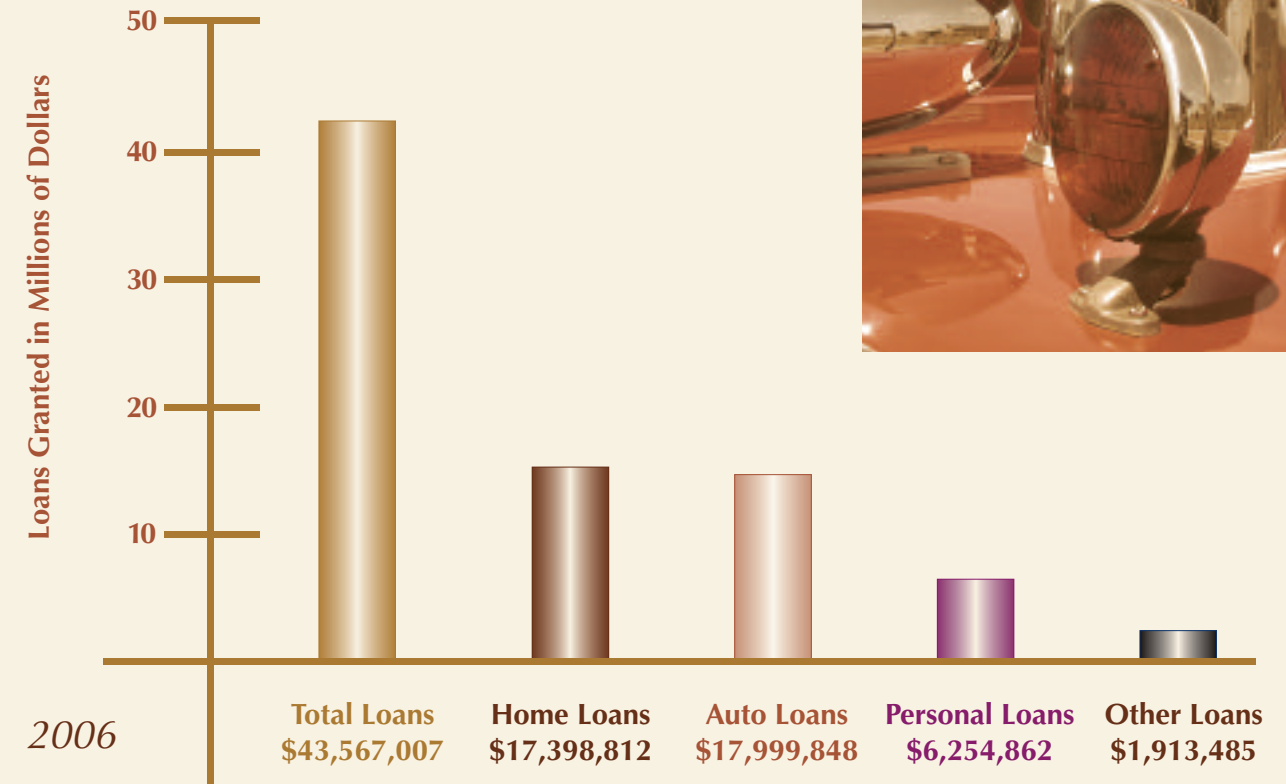


- Employee Compensation & Benefits \$5,763,068
- Office Occupancy & Operations \$3,087,498
- Provisions For Loan Losses \$30,000
- Members Insurance \$170,212
- Other Operating Expenses \$1,473,170
- Dividends \$9,460,829



- Real Estate \$122,257,710
- Co-Maker \$0
- Share Secured \$1,584,690
- Signature \$6,820,476
- Auto \$27,084,800
- Other Loans \$1,871,046
- Visa Loans \$16,498,173

New Loans Granted



Supervisory Committee Report

Two thousand and six was a year filled with many challenges in the financial services industry. The yield curve remained flat for most of the year, home sales have been slowing and credit unions continue to decrease in numbers.

Through the credit union's dedication, the supervisory committee is pleased to report a solid year of growth. Membership growth grew at over 5% and loan growth ended the year at 6.8%. In fact, since year 2000, credit union membership has grown 32%.

The Supervisory Committee strives to efficiently and effectively oversee board actions, audits and operational functions to ensure compliance with the rules and regulations of the SFPCU, State, and Federal guidelines. Your credit union operates as a safe and sound, well-capitalized institution.

Additionally, we are pleased to report your credit union has received the BauerFinancial 5-star rating, the highest rating given, for its 64th consecutive term. As required by the California Financial Code, we are also submitting the following:

| | | |
|---------------------------|-------------------------|-------------|
| Total Shares: | December 2006 | 386,117,656 |
| Total Loans: | December 2006 | 176,116,895 |
| Dividends Paid: | December 2006 | 9,460,829 |
| Total Assets: | December 2006 | 461,742,491 |
| Total Members: | December 2006 | 23,704 |

The Supervisory Committee would like to thank the management, staff, Board of Directors and volunteers of SFPCU for another exceptional year.



Jim Hennessy, Chairman

Barbara Brewster, Committee Member

Independent Auditors Report

We have audited the accompanying balance sheets of the SF Police Credit Union as of December 31, 2005 & 2004 and the related statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the credit union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Industry Audit Guide for Audits of Credit Unions issued by the American Institute of Certified Public Accountants indicates that members' accounts are liabilities. As further described in Note 1, SF Police Credit Union considers Union Rules and Regulations and has so presented the information. The presentation followed by SF Police Credit Union has no effect on the total amount or classification of assets or on the determination of income, expenses or net income. If the shares were reported as liabilities, equity would decrease by \$389,217,947 and \$383,689,052 as of December 31, 2005 & 2004.

In our opinion, except for the effect of members' accounts classification, the financial statements referred to above, present fairly in all material aspects, the

financial position of the SF Police Credit Union as of December 31, 2005 & 2004. In our opinion, except for the effect of members' accounts classification, the financial statements referred to above, present fairly in all material aspects, the financial position of the SF Police Credit Union as of December 31, 2005 & 2004 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information on pages 20 through 21 is supplementary information required by the State of California, Department of Financial Institutions. Such information has been subject to auditing procedures applied in the audit of basic financial statements, and in our opinion, the information is fairly stated in all material respects in relation to the basis of financial statements taken as a whole.

MARLOW & MASSONI,
Certified Public Accountants,
San Francisco, California, March 2, 2006

Nominating Committee Report



This year at the 2006 Annual Meeting of the SF Police Credit Union we will be having an election for the 2007 Board of Directors. Candidates; Willie E. Frazier, Robert J. Puts, Stephen A. Tacchini, John C. Kristovich, Glenn R. Sylvester and John W. Mindermann will be running for election for the four available seats on the SF Police Credit Unions' Board of Directors.

This year the Supervisory Committee will not be having an election. Under bylaws Article VIII Section 7, the number of candidates for the committee is equal to the number of vacancies. James Hennessy will retain his seat on the Supervisory Committee.

Duane C. Collins, Chairman

James M. Curran

Michael D. Sullivan

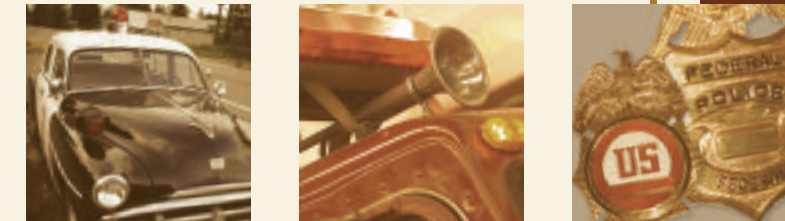
Community Outreach

Together We Can Make A Difference!

SF Police Credit Union is committed to helping members build their lives. Our key motto "We're More Than A Credit Union—We're Your Partner" has taken on its own path this year. We've been privileged to participate, coordinate and volunteer along side many agencies to make a difference raising funds for the community and organizations.

This year we are proud to highlight some of those events:

- **Alisa Ann Ruch Burn Relay**
SFPCU participated in a motorcade with fire vehicles starting from Moffitt Field and ending in San Francisco Fire Training Facility, together raising over \$100,000 to support programs for burn victims. SFPCU, in conjunction with the San Francisco Black Firefighter's Association, worked hand in hand to sponsor the event's dinner.
- **Tip-A-Cop**
Throughout the year, SFPCU employees have participated and supported the Tip-A-Cop events at various restaurants throughout the bay area. As customers, we would support Law enforcement individuals and donate our tips for their role as waiters and waitresses. The effort raised thousands of dollars supporting the Special Olympics Program.



- **Northern California Law Enforcement Torch Run**
SFPCU has been a regular sponsor and supporter of the Law enforcement community in its annual "10K Run" to support Special Olympics. The festive day includes a SFPCU sponsored tailgate party.
- **Daly City Firefighter's Association's Poker Tournament for the Alisa Ann Ruch Burn Foundation**
SFPCU was the sole sponsor to help this association raised over \$5,000 for this cause.

SFPCU is proud and honored to be working closely with our First Responder partners in Making A Difference in the community! We look forward to the many years of participation ahead of us!

Contact Information

SFPCU Office Locations

San Francisco:

2550 Irving Street
San Francisco, CA 94122
(Irving and 26th Ave.)

San Francisco:

802 Bryant Street
San Francisco, CA 94103
(Bryant and 6th Street)

San Mateo:

1495 S. El Camino Real
San Mateo, CA 94402
(Entrance on 15th Ave.)

Phone

415.564.3800 or 800.222.1391

MemberLink 24-Hour Transactions:

415.242.2142 or 800.871.3419

Hours of Operation:

Mon, Tues, Wed, Fri – 8:30 a.m. - 5:00 p.m.
Thurs – 9:30 a.m. - 5:00 p.m.

Email: Members_Info@sfpcu.org

Website: www.sfpcu.org

Debit Card/ATM Services, Lost or Stolen Cards:

Visa® – 800.449.7728
MasterCard® – 415.564.3800
After Hours – 800.754.4128

Shared Branch Locations:

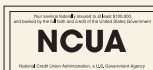
Toll-free – 888.287.9475
Website – www.cuswirl.com

CO-OP ATM Locations:

Toll-free – 888.SITE-COOP



We do business in accordance with the Federal Fair Housing Law and the Equal Credit Opportunity Act.



The SF Police Credit Union is insured by the National Credit Union Association.

