

SF POLICE CREDIT UNION

2010 Annual Report



Financial Services for First Responders

Law Enforcement, Fire, EMT



Welcome Message



A Strong Year

Two thousand ten was tough by any analyst's measure. Loans were tough to come by, and competition was high for the business that was there. We are pleased to report that despite that, SF Police Credit Union had such a strong year.

In everything we do, our philosophy is simple: exceptional service, great rates, and knowledgeable staff will lead us to success. Our unyielding commitment to these three things has earned SFPCU the trust and loyalty of members who turn to us for their financial needs.

Landscape of Growth

While new member growth is low in the industry overall, we continue to excel in growing our membership. Growth in membership means that we have remained relevant to our members. So many institutions cater to the whole community. Our exclusive membership allows us to cater to our members' needs, where we can continue to invest in our institution to constantly grow and expand in both products and services.

Leading Our Industry

A popular metric in which to measure our institution is the Net Promoter Score (NPS). Satmetrix states, that the "NPS is a straightforward metric that holds companies and employees accountable for how they treat [members]." And with an NPS score of 89%, and overall retention rate of 97%, we can all be proud to be member-owners of such a leading organization.

Seizing the Opportunity

In over 50 years of business, we've learned that quality and trust are vital to our members' financial satisfaction. We look for every opportunity to 'wow' our members, while remaining a trusted advisor to many for decades.

Moving forward, our attention will continue to be on bringing valuable products and services that help simplify your financial life. Our focus will be on building a sustainable future for the credit union, with both professionalism and integrity for each decision made. We hold our Mission in high regard and strive to uphold our Service Promises to you with each experience you have with us.

A Message from Our President/CEO

Looking Forward to a Bright 2011

While we know it has been said that the worst recession in more than half a century officially ended months ago, we are keenly aware that our members continue to face the everyday reality of tough economic times. At SFPCU we firmly believe in the Credit Union philosophy of “People Helping People.” In 2010 we lowered our loan rates to offer you the best choice for your financing needs and strive to be instrumental in finding financial solutions and products that assist you with your banking needs.

We remain safe, strong, and well positioned to serve our members current and future needs. We end 2010 with 4% growth in loans, 3% membership growth, 5% share growth and \$5.8 million in net income. In addition, SFPCU has over 13% of capital in reserve compared to the credit union average of 10%.*

While continuing to provide exceptional service to our members, we know it is important not only to address economic challenges, but to bring our members



Michael R. Sordelli
President/CEO



new products and services. This past year, convenience was top of mind at SFPCU. We saw many members take advantage of the freedom of accessing ATMs everywhere with ATM fee rebates from Global ATM Checking. Our Call Center is now open 24 hours a day, seven days a week, and the Irving Street Branch is now open on Saturdays. Members may now open deposit accounts online, and new members can easily apply for membership as well. Look for more convenience in 2011, with an upgrade to SFPCU Online Banking and the introduction of Mobile Banking.

We are looking at 2011 as a year of challenge, but also a year of progress. With a healthy capital reserve, a solid loan portfolio, and a 5-Star Superior rating from Bauer Financial, Inc., we remain dedicated to making a difference for our members. Please let us know if there are any additional ways we can better serve you throughout the year. As always, we are here for you.

*Source: Credit Union National Association (CUNA), Washington, DC 2010–11 Forecast.

Mission Statement

Become the trusted primary financial institution for members and potential members while maintaining earnings and reserves which promote sound growth. We will provide exceptional service, outstanding products and expert guidance to help our members prosper.

Service Promises

As a member of the SF Police Credit Union,
Our Promise to you is...

- To WELCOME you with a friendly tone and smile
- To DEMONSTRATE a can-do attitude
- To PROVIDE you with valuable solutions
- To RESPOND to your service needs promptly and accurately
- To THANK YOU for your business

Chairman & Board of Directors' Report

Financially Strong & Sound

As Chairman of the Board of Directors, I am proud to inform all of you that our Credit Union has continued to be strong and sound financially. Our leadership remains committed to providing you the highest level of service with the best possible dividend and interest rates. Our Management, Staff, Supervisory Committee and Board of Directors have diligently kept our Credit Union "Number One" and the envy of other banks and credit unions. With this current team, I feel confident that the future of our Credit Union will continue to remain strong and solvent. On behalf of the Board of Directors: David Mayer, Steve Tacchini, Robert Puts, Richard Corriea, Glenn Sylvester and James Hennessy, I want to thank all of you for allowing us to serve and strive for continued success.

Wishing all of you a happy and healthy 2011.



John C. Kristovich

Chairman, Board of Directors

Financial Statement



SF Police Credit Union Financial and Statistic report for period ending December 31, 2010 after closing.*

Assets

Total loans	\$ 320,738,964
Less allowance for potential loss	(3,667,988)
Net loans	<u>\$ 317,070,976</u>
Total cash	\$ 22,345,593
Total investment	277,428,676
Total prepaid and deferred expenses	574,738
Property and equipment (net of depreciation)	6,981,758
Other assets	<u>10,089,441</u>
Total assets	<u>\$ 634,491,182</u>

Liabilities & Members' Equity

LIABILITIES

Members' shares	\$ 540,345,735
Accrued expenses and other liabilities	<u>1,835,164</u>
Total liabilities	<u>\$ 542,180,900</u>

MEMBERS' EQUITY

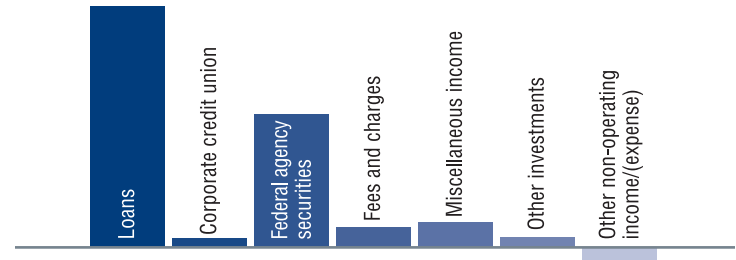
Retained earnings, substantially restricted	\$ 88,375,414
Accumulated other comprehensive income / (loss)	<u>3,934,868</u>
Total members' equity	<u>\$ 92,310,282</u>
Total liabilities and members' equity	<u>\$ 634,491,182</u>

*Unaudited

Summary of Income

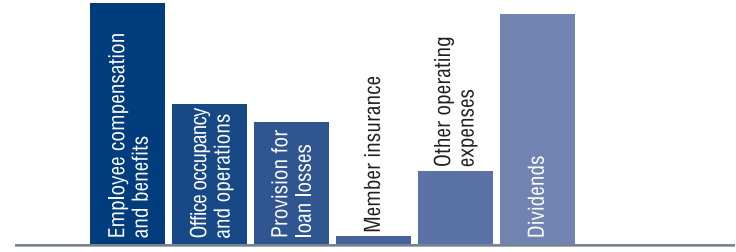
Income

Loans	\$ 18,377,269
Corporate credit union	215,815
Federal agency securities	9,946,746
Fees and charges	1,118,852
Miscellaneous income	1,437,558
Other investments	414,489
Other non-operating income/(expense)	(711,629)
Total income	\$ 30,799,099



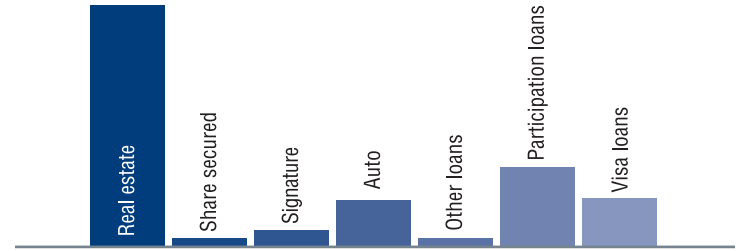
Expenses

Employee compensation and benefits	\$ 7,409,745
Office occupancy and operations	4,313,232
Provision for loan losses	3,768,532
Member insurance	176,327
Other operating expenses	2,251,426
Dividends	7,055,683
Total expenses	\$ 24,974,945

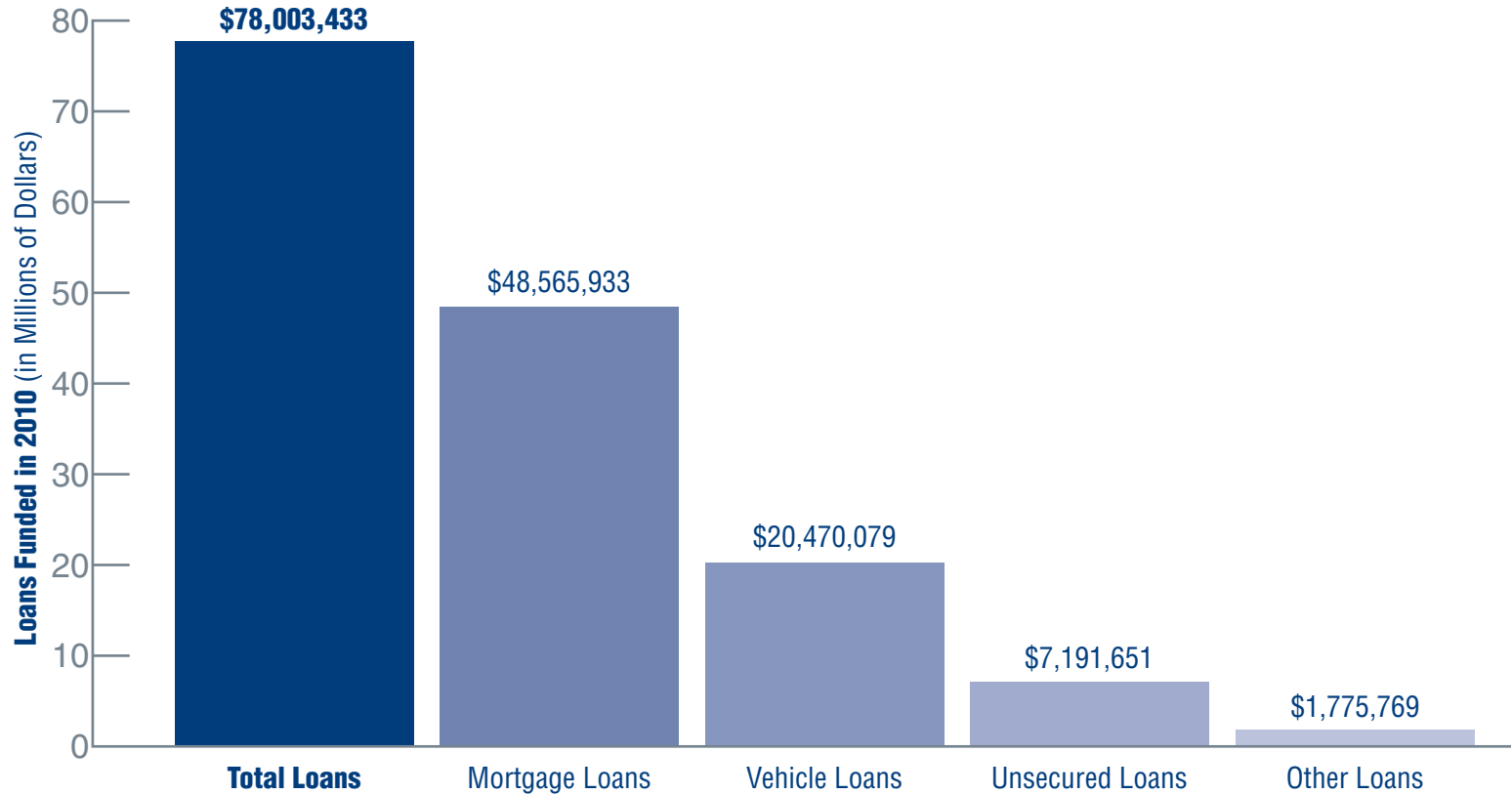


Loans

Real estate	\$ 184,727,103
Share secured	1,316,378
Signature	8,703,342
Auto	32,356,615
Other loans	1,818,791
Participation loans	57,855,374
Visa loans	33,961,362
Total loans	\$ 320,738,964



New Loans Funded



Supervisory Committee Report

While 2009 saw the end of the “Great Recession” of 2007–2008, the economic recovery in 2010 was very sluggish. Growth and jobs—these have become the watchwords for the next several years as the U.S. and developed country economies attempt to get back on track. Our Credit Union easily withstood the “Great Recession” as well as the current sluggish recovery due to its strong balance sheet, strong capital structure, strong net-worth, and loyal membership. Yet we recognized the need for loan growth and relationship pricing to reward our members for using many of our financial products.

Your elected Supervisory Committee is responsible, directly to the membership, for ensuring that board actions, audits and operational functions are in compliance with the rules and regulations of the SFPCU as well as State (DFI) and Federal (NCUA) guidelines. We emphatically state that our credit union operates as a safe, efficient, financially sound and well capitalized affinity-group credit union. In 1985 there were over 18,000 credit unions nationwide; at the end of 2010 that number had shrunk to 7,588. During this period our credit union not only survived, it thrived.

Our credit union remains dedicated to its mission statement “providing solutions for member financial needs with a commitment to excellence.” It

remains committed to its vision statement “become the financial institution of choice for California’s First Responders (Police, Fire, & EMTs).” Your Supervisory Committee helps keep our credit union focused and operating in our best financial interests. You will see many new financial initiatives in 2011 to clearly demonstrate our credit union’s desire to earn your business and reward you for your loyalty.

We are pleased to report that our credit union has received, for its 57th consecutive term, the prestigious Bauer Financial 5-star rating, the highest rating given for credit union excellence, safety and soundness. As required by the California Financial Code, we proudly submit the following important measures of financial health as of December 31, 2010.

Total Assets:	\$634,491,182	Retained Earnings:	\$ 88,375,414
Total Loans:	\$320,738,964	Dividends Paid:	\$ 7,055,683
Total Shares:	\$540,345,735	Retained Members:	28,270

Your Supervisory Committee thanks the employees, management, staff, Board of Directors, and volunteers of our credit union for another successful and prosperous year.

Mike Hebel
Chairperson

Barbara Brewster
Committee Member

Frank Hedley
Committee Member

Independent Auditors Report



We have audited the accompanying statement of financial condition of SF Police Credit Union as of December 31, 2009 and the related statements of income, comprehensive income, members' equity, and cash flows for the year 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 audits. The financial statements of SF Police Credit Union as of December 31, 2008, were audited by other auditors whose report dated November 9, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SF Police Credit Union as of December 31, 2009 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Turner, Warren, Hwang & Conrad
Accountancy Corporation
April 23, 2010

Nominating Committee Report

As Chair of the 2011 Nominating Committee I am happy to report that under SF Police Credit Union Bylaws Article VIII Section 7, the number of candidates for the Board of Directors and the Supervisory Committee is equal to the number of vacancies. Candidates Richard Corriea and Glenn Sylvester will be seated on the Board of Directors for a three year term beginning 2011. Candidate Mike Hebel will be seated on the Supervisory Committee for a three year term beginning 2011.

Respectfully submitted,

Nominating Committee

Duane C. Collins

Chairperson

Jim Hennessy

Board of Directors

David Mayer

Board of Directors



Community Outreach



SFPCU believes in the spirit of giving and sharing. This year we were proud to offer our members the opportunity to give back through our Give, Get and Go Promotion. **Together, we raised over \$8,000 for various non-profit organizations including several first responder organizations.** We also work to make a difference by uniting with our First Responder partners to help support and raise funds for many worthwhile causes. This year we are proud to highlight some of our most important and beneficial events.

Law Enforcement Appreciation Night at SF Giants Game

SFPCU partnered with SFPD to raise awareness and funds for two great non-profit organizations. A portion of every ticket purchased benefited the Bay Area Law Enforcement Assistance Fund (BALEAF) and the California Peace Officers' Memorial Foundation. Both organizations help local law enforcement families affected by a loved one lost in the line of duty.

Bike the Bridges

SFPCU partnered and co-sponsored this first-time cyclist event with proceeds benefiting the Special Olympics Northern California. SFPCU, together with public safety agencies from all over the Bay Area, worked together to fundraise for a great cause. The scenic route included crossing the Carquinez Bridge and Benicia Bridge in Solano County and travel through greater parts of Contra Costa County.

Alisa Ann Ruch Burn Relay

SFPCU participated in a motorcade with fire vehicles starting from Moffett Field and ending in San Francisco Fire Training Facility, to support programs for younger burn victims. SFPCU, in conjunction with the San Francisco Black

Firefighter's Association, worked hand in hand to co-sponsor the event's dinner for all participants.

Guns & Hoses Charity Tennis Challenge

SFPCU staff participated in this annual charity event hosted by the San Francisco Tennis Club, San Francisco Police Officers Association (SFPOA) and The San Francisco Firefighters Union 798 (SFFD) that benefited the Bay Area Law Enforcement Assistance Fund and the San Francisco Firefighters Toy Program.

California Credit Union League Activities – San Francisco Chapter

SFPCU, along with other Bay Area Credit Unions, helps support many great fundraising efforts:

- **Credit Union Night with the Golden State Warriors** – Proceeds benefiting Children's Miracle Network
- **Credit Union Night with the San Francisco Giants** – Proceeds benefiting Okizu, an organization supporting families with childhood cancer
- **The AIDS Walk 2010** – Walking to raise money and awareness for the San Francisco AIDS Foundation

Branch Locations & Contact Information

Branch Locations

Main Office and Branch
2550 Irving Street
San Francisco, CA 94122
(Irving at 26th Avenue)

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

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

Pleasanton Branch
6689 Owens Drive, Suite 125
Pleasanton, CA 94588
(Owens Drive and Johnson Drive)

ATM
San Mateo Police Department
(ATM only, no deposits)
200 Franklin Parkway
San Mateo, CA 94403

For branch hours of operation, please contact us at 800.222.1391 or visit www.sfpcu.org.

Contact Information

Phone
415.564.3800
800.222.1391

Mailing Address
SF Police Credit Union
P.O. Box 22219
San Francisco, CA 94122-0219

MemberLink 24-hour Transactions
415.242.2142
800.871.3419

Fax
Member Services: 650.627.8941
Loans: 415.566.9251

Email
Members_Info@sfpcu.org

Website
www.sfpcu.org

Mobile Banking
www.sfpcu.mobi

Additional Information

Lost or Stolen Cards
Visa® Credit Card
800.449.7728

MasterCard® Debit Card
415.564.3800
800.754.4128 (after hours)

Falcon Fraud Service Center
Visa® Credit Card
888.918.7313

MasterCard® Debit Card
888.241.2440

Shared Branch Locations
888.287.9475
www.sfpcu.org

CO-OP Network® ATM Locations
Over 28,000 ATMs Nationwide
888.SITE.COOP (888.748.3266)
www.sfpcu.org

Auto Buying Service
800.716.9550

Routing Number
321076496

Credit Union Services

24/7 Call Center

Online Banking

Mobile Banking

Online Bill Pay

E-statements

Mortgage & Home Equity Loans

Quick Personal Loans

New/Used Auto Loans

No-cost Auto Buying Service

Low-rate Visa® Credit Cards

Global ATM Checking

Certificates

Holiday Accounts

Direct Deposit & Payroll Deduction

Membership at SF Police Credit Union is open exclusively to First Responders and their families.

This Credit Union is federally insured by the National Credit Union Administration. SFPCU is an Equal Housing Lender, and does business in accordance with the Equal Credit Opportunity Act.





Financial Services for First Responders

Law Enforcement, Fire, EMT