

CELEBRATING

60

YEARS

1953 - 2013

2013 ANNUAL REPORT

Financial Services for First Responders

Federally insured by NCUA



CHAIRMAN AND BOARD OF DIRECTORS REPORT



Glenn Sylvester
CHAIRMAN, BOARD OF DIRECTORS

I would like to extend a warm thank you to all our Members for being a pivotal part in commemorating 60 years of SFPCU tradition and service. The past several years have presented a number of challenges in the financial industry, most notably this past year. To actively prepare for the future, the Board of Directors has decided to make changes to the organization, by announcing a change in leadership. Michael Sordelli has left the Credit Union and we sincerely thank Mr. Sordelli for his many years of leadership and service over the last 26 years and wish him well in the future.

During this time of transition, our current Chief Financial Officer, Mr. Eddie Young, has been chosen to serve as Acting President/CEO until we permanently fill the position of President/Chief Executive Officer. Eddie has been with SFPCU the past six years and has been in the financial service industry for over 26 years. He has demonstrated knowledge and experience in providing leadership and continuity during this transition. SFPCU's leadership team and employees will continue to manage Credit Union operations and serve our Members in the same excellent way as they always have.

Moving forward into 2014, SFPCU will remain committed as ever to ensuring the financial well-being of our Members through strategically sound business decisions and enhanced products and services. We will remain dedicated to searching for new avenues to enrich the Member experience through innovation, expansion and efficiency. Our attention will continue to be on bringing you valuable Member benefits and programs that both enrich and help simplify your financial life, all the while staying focused on building a sustainable future for the Credit Union.

SFPCU remains financially strong, profitable and well capitalized. We thank you for your loyalty and continued support and appreciate you choosing SF Police Credit Union as your trusted financial partner.

Sincerely,

Glenn Sylvester
Chairman, Board of Directors

BOARD OF DIRECTORS

Robert Puts
Vice Chairman

James Hennessy
Board Secretary

Michael Hebel
Director

John Mindermann
Director

Richard Corriea
Director

Stephen Tacchini
Director

MESSAGE FROM OUR ACTING PRESIDENT/CEO

As we look back over the last 60 years, the world has witnessed tremendous growth in technology and experienced unique and unpredictable economic cycles. We are proud that SF Police Credit Union (SFPCU) has continually been able to transform and adapt as an organization to meet these challenges and the needs of our members. In continuing to focus on the advancement and growth of this Credit Union, it is with great excitement that I take on the role as Acting President and CEO. I look forward to meeting the challenges of the upcoming year and am dedicated to finding additional ways we can better serve you.

This year, SFPCU celebrated its 60th Anniversary and we are pleased to report that we have increased our membership to nearly 34,000, maintained a healthy capital reserve, solid financial portfolio and the BauerFinancial's 5-Star rating. Our Credit Union ended the year with \$4.79 million in net income, \$730 million in assets and 14.20% capital in reserve, which is well above the national average of 10.70%*. We also experienced an increase of 11.50% in organic loan growth and 2.79% share growth which is a direct result of the competitive rates and savings which were passed on to members.

*Source: www.creditunions.com, September 2013

In 2013, SFPCU secured a new branch location in Oakland, allowing us the opportunity to better serve First Responder agencies in the East Bay. This full service branch includes a 24-hour ATM, state of the art teller pods made for quality member interaction and convenient in-branch transacting. Plus, an iPad tech bar for members to explore our wide range of products and services and receive live demos of Online Banking from our expert staff. This member focused branch is a model for the direction we plan to take the Credit Union in the upcoming years.

In addition to the new Oakland Branch, we are also pleased to announce that we will soon be extending our branch hours and beginning in May we will expand our Call Center's business hours from 7 am to 9 pm, (Monday–Friday). We look forward to providing you exceptional service with added convenience.

We thank you for your membership and for giving us the opportunity to meet your financial needs.

Respectfully yours,

Eddie Young
Acting President/CEO



Eddie Young
ACTING PRESIDENT/CEO

SFPCU CELEBRATES 60TH ANNIVERSARY



Grand prize winner Jose B. received his check for \$15,000 from our Acting President/CEO Eddie Young.

This year, SFPCU achieved a milestone in celebrating 60 years of providing exceptional financial services and support to our Members. To commemorate this grand occasion and show appreciation to our Members, we put together one of the largest promotional campaigns the Credit Union has seen. Our 60th anniversary celebration included exceptional promotional offers, a Facebook contest, online photo gallery, “Scratch & Win” tickets redeemable for cash prizes or entries into the grand prize drawing for a Harley Davidson motorcycle or \$15,000, a Member “Share Your Story” gallery and much more.

We had great participation in our Facebook contest which acquired 310 new “likes” to the SFPCU page. Eight lucky participants, who correctly answered our weekly Facebook quiz, were awarded \$100 Amazon gift cards. The 60th celebration featured a custom microsite where Members could enjoy and easily access details about our special promotions and offers, as well as to redeem their “Scratch & Win” tickets for cash prizes or entries into the grand prize drawing and also share their “Picture Yourself on a Harley” photos to our photo gallery.

Members were encouraged to submit a “Share Your Story” to us and tell us about their experience and history with SFPCU. We were flattered by the overwhelming response; over 100 stories were received. As an added bonus, all Members who shared their stories with us had their name automatically entered six times into the grand prize drawing. Members were also able to receive an additional six entries by simply signing up for our Online Services, including Online Banking, E-statements or Bill Pay, during the promotional period.

On December 20, 2013, SFPCU held an event at our Irving Street branch to wrap up our 60th anniversary celebration. Members were invited to enjoy refreshments, take their photos with Santa, spin the prize wheel and participate in a raffle drawing for prizes. We announced the much anticipated grand prize winner who had the choice of a Harley Davidson motorcycle or \$15,000 cash. Jose from San Rafael was our grand prize winner, who received the great news from SFPCU while vacationing in Spain with his family. Jose has been a longtime Member since he came to us over 10 years ago for his first vehicle loan. He plans to use the money towards a down payment on a home.

A special thank you to all our Members who participated in our 60th anniversary celebration. We appreciate your support and commitment to SFPCU!

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 with valuable solutions
- To RESPOND to your service needs promptly and accurately
- To THANK YOU for your business



FINANCIAL STATEMENT

Consolidated Statement of Financial Conditions

As of December 31, 2013

	2012	2013*
Assets		
Cash and cash equivalents	\$ 33,766,276	\$ 34,615,207
Investments	310,232,468	260,005,854
Net loans to members	359,858,106	404,576,717
Fixed assets	6,487,445	11,894,739
Other assets	12,307,139	19,047,980
Total assets	<u>\$722,651,434</u>	<u>\$ 730,140,497</u>

	2012	2013*
Liabilities and Members' Equity		
LIABILITIES		
Accounts payable and other liabilities	\$ 3,150,545	\$ 2,858,674
Notes payable	0	0
Total liabilities	<u>3,150,545</u>	<u>2,858,674</u>
MEMBERS' EQUITY		
Members' shares	612,955,390	630,056,513
Total equity	<u>106,545,499</u>	<u>97,225,310</u>
Total members' equity	<u>719,500,889</u>	<u>727,281,823</u>
Total liabilities and members' equity	<u>\$722,651,434</u>	<u>\$ 730,140,497</u>

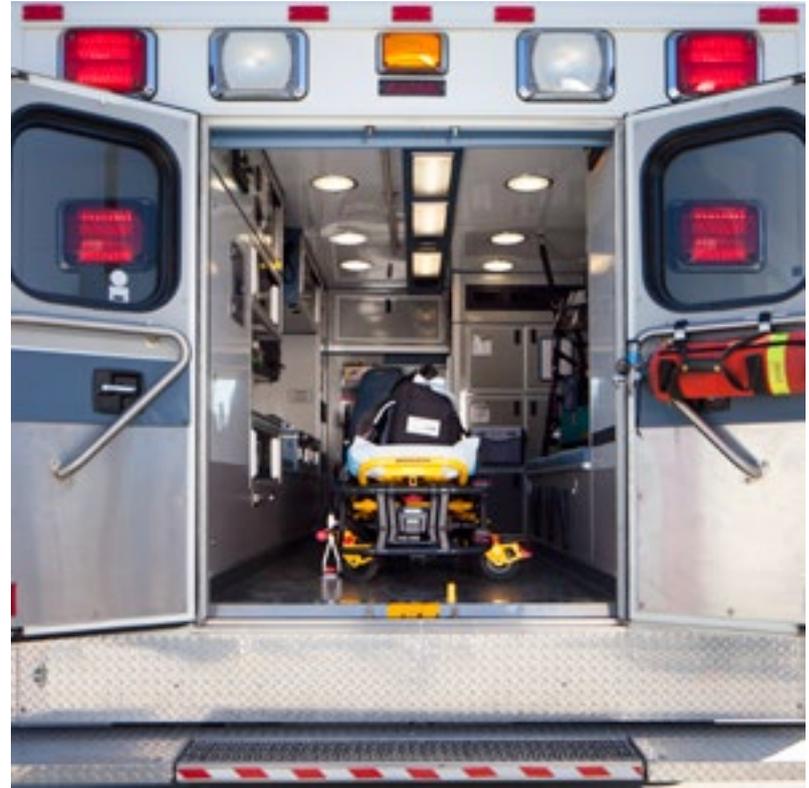
*Unaudited financial statements

Consolidated Statement of Earnings

As of December 31, 2013

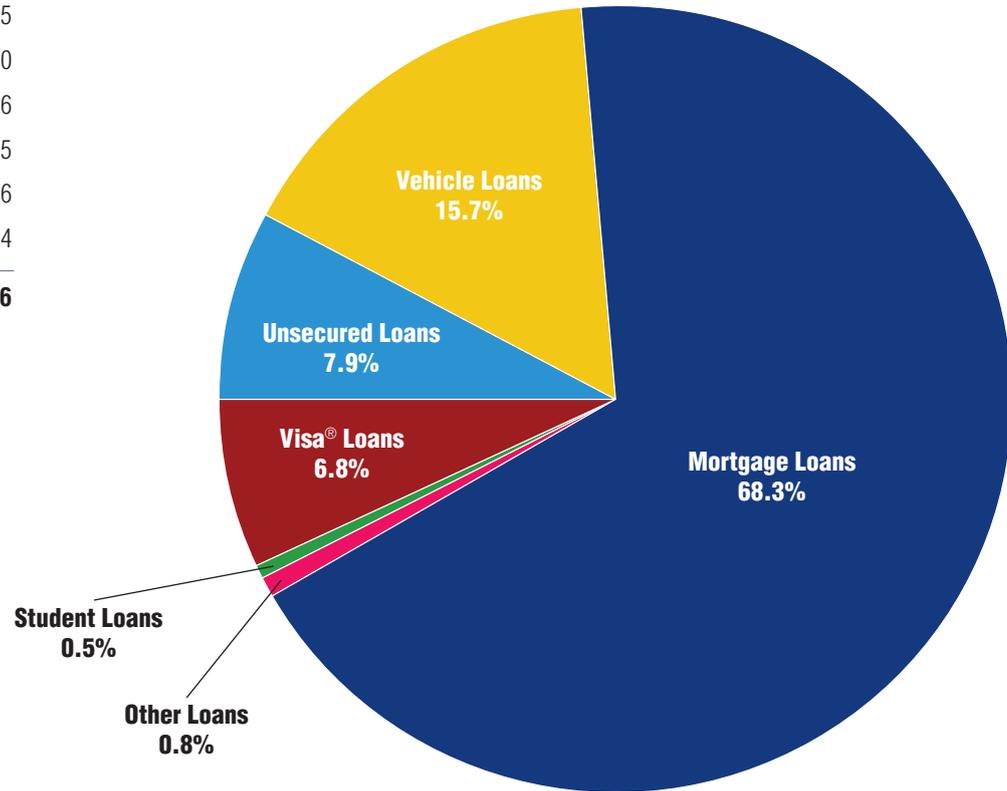
	2012	2013*
Interest from loans	\$ 19,063,566	\$ 19,363,873
Interest from investments	8,005,982	5,946,788
Total interest income	<u>27,069,548</u>	<u>25,310,661</u>
Dividends	3,601,446	2,674,372
Interest on borrowings	0	365
Total interest expense	<u>3,601,446</u>	<u>2,674,737</u>
Net interest margin	23,468,102	22,635,924
Provision for loan losses	<u>2,813,881</u>	<u>2,081,510</u>
Net interest margin after provision for loan losses	<u>20,654,221</u>	<u>20,554,414</u>
Non-interest income	3,457,656	4,253,094
Operating expense	17,582,624	19,563,016
Non-operating income/(expense)	<u>(522,891)</u>	<u>(453,876)</u>
Net income	<u><u>\$ 6,006,362</u></u>	<u><u>4,790,617</u></u>

*Unaudited financial statements



NEW LOANS FUNDED

■ Mortgage Loans	\$ 93,940,765
■ Vehicle Loans	\$ 21,668,650
■ Unsecured Loans	\$ 10,921,426
■ Visa® Loans	\$ 9,349,705
■ Student Loans	\$ 726,396
■ Other Loans	\$ 1,058,634
Total Loans	\$137,665,576



INDEPENDENT AUDITORS REPORT

We have audited the accompanying financial statements of SF Police Credit Union (the credit union), which comprise the statements of financial condition as of December 31, 2012 and 2011, and the related 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 from 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 audit 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 SF Police Credit Union as of December 31, 2012 and 2011, 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

Accountancy Corporation

April 11, 2013

SUPERVISORY COMMITTEE REPORT

On the occasion of our 60th Annual Meeting, while many California Credit Unions have been under financial pressure in recent years, we are proud to report that our Credit Union continues to thrive and grow. In 2013, our Credit Union distinguished itself by earning \$4,790,617 (net income). Today we serve nearly 34,000 member/owners out of our main office and four branch locations (Bryant Street, San Mateo, Pleasanton and Castro Valley) as well as from our new branch that opened in Oakland in early 2014.

Your elected Supervisory Committee is responsible, directly to the membership, for ensuring that board actions, audits and operations functions are in compliance with the rules and regulations of the SFPCU as well as State and Federal guidelines. 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.” It remains committed to its vision statement, “to become the financial institution of choice for California’s First Responders, law enforcement, fire and EMT agencies.” Your Supervisory Committee is dedicated to keeping our Credit Union focused and operating in our best financial interests.

We are pleased to report once again that our Credit Union has received, for its 94th consecutive quarter, the prestigious BauerFinancial 5-Star Superior rating, the highest

rating given for Credit Union excellence. As required by the California Financial Code, we proudly submit the following important measures of financial health as of December 31, 2013.

Total Shares:	\$630,056,513
Total Assets:	\$730,140,497
Total Loans:	\$412,379,822
Dividends Paid:	\$2,674,734
Total Members:	33,794

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

Frank Hedley
Committee Chair

Barbara Brewster
Committee Member

John Goldberg
Committee Member

NOMINATING COMMITTEE REPORT

As we celebrate this, the 60th Annual Meeting of the SF Police Credit Union, the Nominating Committee is pleased to report the nominations for vacancies occurring on both the Board of Directors and the Supervisory Committee.

There are two candidates for two upcoming vacant seats on the Board of Directors in 2014. The candidates are Glenn R. Sylvester (incumbent) and Croce A. Casciato. Because the number of candidates equals the number of vacant seats, there will not be an election held. The candidates are declared to be elected under the By-laws at Article VIII, Section 7.

There is one candidate for one upcoming vacant seat on the Supervisory Committee in 2014. The candidate is John R. Goldberg (incumbent). Because the number of candidates equals the number of vacant seats, there will not be an election held. The candidate is declared to be elected under the By-laws at Article VIII, Section 7.

Michael S. Hebel
Committee Chair

Leroy Lindo

Michael Mahoney

Joseph Reilly



COMMUNITY OUTREACH



Law Enforcement Appreciation Night



Bike the Bridges



AIDS Walk San Francisco

SFPCU believes in continuing the tradition of lending support to charitable organizations in the Bay Area. Proudly working alongside First Responders, we helped raise funds for worthwhile causes which positively impact our community. This year we are pleased to highlight some of our most significant and beneficial events.

Law Enforcement Appreciation Night at SF Giants Game

SFPCU partnered with the San Francisco Police Department for the San Francisco Giants 10th Annual Law Enforcement Appreciation Night to help raise awareness and funds for two outstanding nonprofit organizations. This year's game boasted the largest attendance yet and raised more than \$40,000 from ticket sales benefitting the Bay Area Law Enforcement Assistance Fund 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

For another year, SFPCU proudly co-sponsored this great charity cycling event and teamed up with several law enforcement agencies and volunteers to raise funds to benefit the Special Olympics of Northern California. This beautiful scenic course began and finished at the Martinez Waterfront Park and took riders along the Carquinez Bridge and Benicia Bridge. The SFPCU team of riders

worked together to raise nearly \$2,000 for the Special Olympics Athletes.

Alisa Ann Ruch Burn Relay

SFPCU joined the annual fundraising parade of antique and modern emergency vehicles starting in Sonoma County and ending in Marin County, collecting donations at 20 fire stations and riding alongside the California Highway Patrol. The 16th Annual North Bay Firefighter Burn Relay is a benefit for the Alisa Ann Ruch Burn Foundation, raising funds to support burn survivors and support burn prevention education programs in the community.

AIDS Walk San Francisco

Along with the California Credit Union League, SFPCU employees walked in the 27th annual event, raising funds and awareness for the San Francisco AIDS Foundation. Participation in the event also supports the work of many other AIDS services and programs by organizations throughout the Bay Area.

Run to the Lakes

For the first time, in 2013, SFPCU sponsored the First Responder Division of the 5K/10K race. This division recognizes the services provided to our communities by local First Responders. SFPCU sponsored medals and prizes presented to the top three men and women runners. Proceeds from the 15th Annual Run to the Lakes benefit the Eden Medical Center Foundation, located in Castro Valley, California.

Run Wild San Francisco

SFPCU sponsored and presented the top three men and women runners with medals and prizes at the First Responder Division of this festive 5K holiday race. SFPCU also had a team of participants join the run to support the cause. Proceeds from the race and on-site donations benefit the San Francisco Firefighter's Toy Program, the largest in SF and oldest in the country of its kind.

Law Enforcement Torch Run® (LETR) for Special Olympics

SFPCU's long time commitment and participation in the LETR helps increase awareness and raise funds for the Special Olympics movement. Each year, SFPCU contributes to help support the Northern California law enforcement agencies that participate in the running event, in which officers and athletes carry the Flame of Hope® to the Opening Ceremony of Special Olympics local competitions.

SFPD Challenge – Cable Car Pull

SFPCU joined in on the fun during a friendly police competition to claim the title of fastest time pulling a San Francisco cable car 200 feet. This year, SFPCU contributed to the benefiting organization, the Make-A-Wish-Foundation. A special surprise this year: Bat Kid joined in the festivities for the Opening Ceremonies!



Run Wild San Francisco



Law Enforcement Torch Run®

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.

BRANCH LOCATIONS AND CONTACT INFORMATION



Branch & ATM Locations

Main Office and Branch

2550 Irving Street
San Francisco, CA 94122

Bryant Street Branch

802 Bryant Street
San Francisco, CA 94103

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

Castro Valley Branch

3636 Castro Valley Boulevard, Suite 5
Castro Valley, CA 94546

Oakland Branch

559 5th Street
Oakland, CA 94607

In addition to SFPCU branches, as a Member you also have fee-FREE access to CO-OP ATMsSM, CO-OP Shared BranchesSM and Bank of the West locations. To find the location closest to you, visit www.sfpcu.org/locations.

Contact Information

24/7 Call Center

800.222.1391

MemberLink 24-Hour Transactions

800.871.3419

Email

Members_info@sfpcu.org

Auto Buying Service

800.716.9550

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 ONLINE AND PRODUCTS & SERVICES

SFPCU Online

Online Banking

www.sfpcu.org

Mobile Banking

www.sfpcu.mobi

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

Facebook

www.facebook.com/sfpolicecreditunion

More Online Services to Manage Your Finances

Bill Pay

Email and Text Alerts

E-statements

Online Check Deposit

Mobile Deposit

Person-2-Person Payment

Products & Services

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

Certificates

Direct Deposit and Payroll Deduction

First Responder Loan

First-Time Auto Buyer Loan

Global ATM Checking with Unlimited ATM Rebates*

Guaranteed Auto Protection

Holiday Account

Home Loans and Home Equity Loans

Individual Retirement Account (IRA) Savings

MasterCard Debit Card

Money Market Wealth Builder Accounts

New/Used Vehicle Loans

Personal Loans

Recreational Vehicle Loans

Student Loans

Tiered Savings Accounts

Visa Credit Cards

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

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





Financial Services for First Responders

