

ANNUAL REPORT 2017

For Those Who Serve™



FEBRUARY 13, 2018

MEETING AGENDA

- Meeting Called to Order
- Invocation
- Welcome by Chairman of the Board of Directors
- Verification of a Quorum
- Meeting Minutes: February 7, 2017
- Chairman's Report
- Treasurer's Report
- Supervisory Committee's Report
- Election of Officials
 - Nominating Committee's Report
 - Nominations from the Floor
 - Vote / Collect and Count Ballots
- Old Business
- New Business
- Adjournment

ABOUT HPCU HISTORY

Originally founded on October 21, 1937, towards the end of the Great Depression, Houston Police Credit Union was created by Houston police officers to establish a financial institution that was owned and operated by the local police force—a financial cooperative. Their mission was to provide reasonably-priced loans and a safe place for life savings for Houston Police Department employees and their families.

The credit union had 14 charter members and in the beginning, was a meager operation. When a member wanted to apply for a loan, an appointed officer would take the paperwork in his squad car to the member and then return the forms to the credit union, which was originally a small office in HPD's Property Room. Alex Laux was the first approved loan. The loan limit was \$25.00.

In 1966, with over 2,150 members and \$2.5 million in total assets, the credit union grew large enough to warrant moving out of HPD headquarters and into a separate building. Located at 1600 Memorial Drive, it is still in use as the main branch today.

Membership, assets, and product and service offerings have continued to increase over the years. With a board of directors comprised of HPD executives and officers, the credit union has continued to remain relevant to the lives of its members, even adapting the drive-up at the main branch to accommodate various official vehicles including SWAT trucks and helicopters.

As our membership has grown, so has the credit union. As of 2017, the credit union serves HPD staff, employees, and their families in three locations. Membership has grown to over 27,000 and assets have reached over \$716 million. From serving academy recruits with equipment loans to retirement savings and planning, our credit union has become a vital part of our members' lives through every stage of their career.

FEBRUARY 7, 2017 MEETING MINUTES

Chairman, Dennis Storemski, called the meeting to order at 7:00pm.

The following members of the board of directors were present: Dennis Storemski, Bobby Camp, Clifford Simmons, Renita Ferguson, Mattie Provost and Richard Retz.

The following member of the board of directors was not present: Matthew Slinkard.

The following members of the supervisory committee were present: Wendy Baimbridge, Milton Martin and Mark Smith.

The following member of the supervisory committee was not present: Matthew Lem.

Renita Ferguson, Assistant Secretary-Treasurer, gave the invocation.

Mr. Storemski began by welcoming everyone to the 79th Annual Meeting. He introduced the members of the board of directors, supervisory committee and executive staff. Mr. Storemski thanked the volunteers and the entire HPCU staff for their hard work and the achievement of another successful year. He congratulated Houston Police Department on their successful involvement surrounding the 2017 Super Bowl held at Houston's NRG Stadium. Mr. Storemski also reported that due to HPD's pension and retirement plan changes, the department will soon experience their largest turnover of management/senior staff in history. He thanked those that were present for their many years of hard work and dedicated service to the City of Houston.

Mr. Storemski reported that on October 21, 2017, the credit union will celebrate its 80th anniversary. He explained that the credit union was founded in 1937 by 14 charter members. The credit union conducted business from HPD's Property Room and offered loans with limits up to \$25.00. Mr. Storemski also explained that in 1966 the credit union had 2,150 members, \$2.5 million in assets and constructed the original credit union building at 1600 Memorial Drive. He explained that since that time, the credit union building has been expanded four times and as of today, HPCU has over 26,000 members and over \$649 million in assets.

Mr. Storemski reported that the credit union finished 2016 with a net worth of 13.84 percent, which measures the financial strength of the organization. The National Credit Union Administration has set a well-capitalized standard for credit unions at 7.00 percent net worth. He also explained that the credit union exceeded a loans-to-assets ratio of 58.00 percent. Increasing this ratio has been a goal of the credit union for many years as member loans yield much higher than the other investments, such as government backed securities, allowed by credit union regulations. Mr. Storemski encouraged every member to consider the credit union first for its loan needs so that HPCU can continue to offer loans to members at lower rates than the competition, as well as provide higher rates on share dividends. He reported that the credit union will experience a conversion to a new credit card provider on February 20th. Mr. Storemski explained that all members with a credit card will receive a new chip embedded card, which will provide more security as well as improved service.

Wendy Baimbridge, Chairman of the Supervisory Committee, verified that a quorum was present.

As everyone had been presented with the 2016 Annual Report, a motion was made to dispense with the reading of the minutes of the previous meeting and accept the minutes as presented. The motion was seconded and passed.

A motion was made to dispense with the reading of the Chairman's Report, the Treasurer's Report, and the Supervisory Committee's Report and to accept them as presented. The motion was seconded and passed.

At this time, Mr. Storemski reviewed the election procedures and introduced Wendy Baimbridge, Committee Chairman of the Nominating Committee. Mrs. Baimbridge reported that the following were the nominations from the committee:

Board of Directors – 3 Year Term

Dennis Storemski

Bobby Camp

Matthew Slinkard

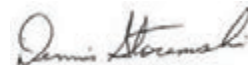
Mrs. Baimbridge then asked for nominations from the floor. A second call was made for nominations from the floor. After a third call for nominations from the floor, a motion was made to cease nominations and elect the nominees by acclamation. The motion was seconded and passed.

Mr. Storemski then asked for any old business that needed to come before the membership. There was none.

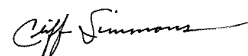
Mr. Storemski followed with a request for any new business. There was none reported.

The next item on the agenda was a barbecue dinner. After the dinner was served, cash drawings totaling \$5,000.00 were held.

A motion was then made to adjourn. The motion was seconded and it passed.



Dennis Storemski,
Chairman



Clifford Simmons,
Secretary-Treasurer

CHAIRMAN'S REPORT

October 21, 2017 marked Houston Police Credit Union's 80th anniversary of service. On behalf of the board of directors, thank you, our member-owners, for your continued loyalty and support. The credit union was recognized nationally among the top 200 healthiest credit unions in the country. This was the fourth consecutive year HPCU has received this designation. The credit union was recognized again as one of the top ten largest Houston-area credit unions ranked by total assets. HPCU's accomplishments continue as the result of a hard-working management team and an ongoing supportive membership. It is a great privilege to be a vital part of your financial life.

In 2017, the credit union prioritized service delivery enhancements. In addition to launching a revised brand and new website, online and mobile banking were upgraded to include new features that improved the ease of account access, streamlined navigation and provided a consistent look and feel across devices. The credit card processor was converted and the debit card platform was migrated to increase member satisfaction. Also, credit cards were completely upgraded to chip-enabled cards to combat fraud and provide the latest in security features. To date, over 14,000 debit cards have been upgraded to chip-enabled cards with plans to upgrade all cards by Summer 2018. 24-hour call center support for debit cards was introduced. CardValet®, an app allowing debit and credit cardholders to monitor and control card activity in real-time, was implemented as well.

HPCU did not lose focus on financial stability and sustained growth in 2017. Total loans to members increased by 10.47 percent. The credit union helped over 3,400 members obtain an auto loan, over 3,600 members obtain a personal loan and nearly 200 members obtain a home equity loan. HPCU reached over \$409 million in loans and experienced a growth in assets to over \$716 million. Membership increased to over 27,000 members. The credit union maintained the percentage of assets invested in loans ending 2017 with a loan to asset ratio of 57.10 percent. A 7.00 percent net worth is regarded as well capitalized by the National Credit Union Administration (NCUA). HPCU ended the year well above the federal requirement with a net worth of 13.50 percent.

As we begin 2018, we continue to embrace our purpose to the financial well-being of our members. We continue to strive to be the primary financial institution *For Those Who Serve™* and those who support them. I look forward to a year of innovation and continued improvements in service delivery and the value we provide our member-owners.

Respectfully submitted,



Dennis Storemski,
Chairman

SUPERVISORY COMMITTEE'S REPORT

The supervisory committee provides you, our member-owners, with an avenue to express your concerns regarding Houston Police Credit Union's policies and procedures, or to have specific questions answered regarding transactions on your accounts. The committee also acts as the oversight body for both the internal and external audit functions of the credit union. Our goal is to provide assurance to the membership that their investment in the credit union remains secure.

Auditors from federal agencies, including the National Credit Union Administration (NCUA), along with the independent services of an external auditing firm provide guidance to help both the supervisory committee and credit union maintain mandated compliance with regulations and sound financial management policies. Retained by the supervisory committee in 2016, Nearman, Maynard, Vallez, Certified Public Accountants, performed the audit of the credit union's financial statements as of and for the year ended December 31, 2016. Nearman, Maynard, Vallez awarded HPCU an unqualified opinion that the prior year records audited in 2017 fairly represent the financial condition of the credit union. In 2017, the supervisory committee retained the services of Nearman, Maynard, Vallez to perform an audit of the credit union's financial statements as of and for the year ended December 31, 2017 as well.

The supervisory committee would like to thank the board of directors, management, employees and our member-owners for allowing us to serve them and Houston Police Credit Union as we perform our duties.

Respectfully submitted,



Wendy Baimbridge,
Chairman

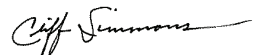
TREASURER'S REPORT

2017 was another year of strength and growth for Houston Police Credit Union. Total assets ended at \$716,618,677.03, a 10.37 percent increase from 2016. The credit union's growth was fueled by sound investment strategies and a steady demand for home equity, credit card, auto, recreational vehicle and personal loans. HPCU demonstrated quality underwriting standards to appropriately manage the asset quality of the credit union.

Our member-owners enjoyed the benefit of below average loans rates and above average savings rates in 2017. Over \$409 million was extended in affordable loans and over \$8.2 million was paid in dividends to members. The credit union's strong financial performance is evident in its net operating expense ratio and net worth. HPCU adequately managed expenses at 0.78 percent of average assets and sustained a net worth of 13.50 percent.

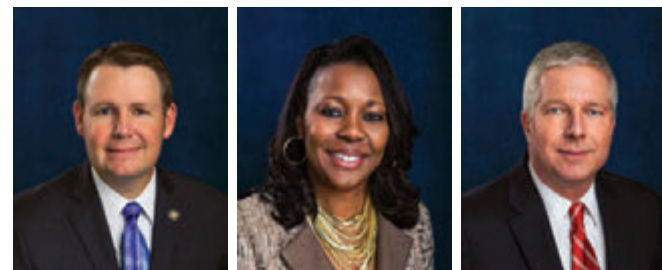
We look forward to continued growth in 2018 and the expansion of service delivery to our membership. I am confident the credit union will continue to be a strong financial institution, and the board of directors, management, and employees of HPCU will strive to provide healthy returns to our member-owners.

Respectfully submitted,



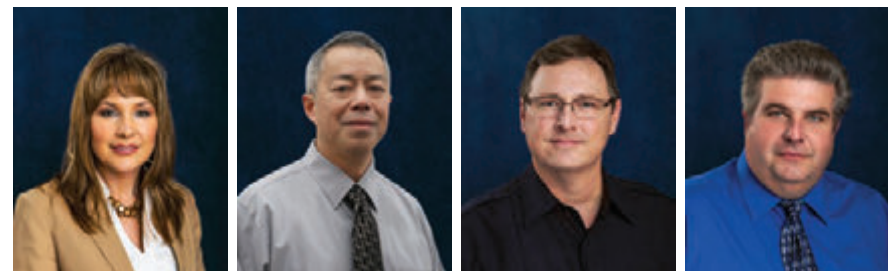
Clifford Simmons,
Secretary-Treasurer

CREDIT UNION OFFICIALS



BOARD OF DIRECTORS

From left to right: Dennis Storemski, Chairman; Bobby Camp, 1st Vice Chairman; Clifford Simmons, Secretary-Treasurer; Renita Ferguson, Assistant Secretary-Treasurer; Matt Slinkard, Membership Officer; Mattie Provost, Member; Richard Retz, Member



SUPERVISORY COMMITTEE

From left to right: Wendy Baimbridge, Chairman; Matthew Lem, Member; Milton Martin, Member; Mark Smith, Member

PRESIDENT'S REPORT

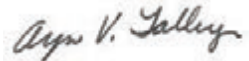
2017 was a momentous year for Houston Police Credit Union. The credit union's dividend structure provided our member-owners the opportunity for exceptional dividends on deposits. Because of higher than average savings rates, lower than average loan rates and a relaxed fee structure, HPCU received a Credit Union National Association award again in 2017, recognizing the credit union for delivering a direct member benefit of \$863.00 per member household. HPCU ended the year with a 1.45 percent net return on average assets.

The credit union celebrated 80 years of growth and stability in 2017, made possible by the support of our loyal members and their commitment to HPCU. HPCU embraced the credit union difference and ensured that improving the service to members was the utmost priority. To resonate service delivery as a priority throughout the credit union, a team including frontline managers was developed to begin reviewing and identifying service expectations. HPCU also began developing a digital reference system of policies and procedures for internal use with the goal of establishing consistency in member service.

The credit union introduced several new products and services throughout the year targeted to improve overall member satisfaction. In addition to converting credit card processors and upgrading the debit card platform, HPCU employees worked diligently to assist members with relief and financial support in the aftermath of Hurricane Harvey. The credit union also explored new loan opportunities by utilizing our automated clearing house (ACH) files to identify over 400 auto loan payments to 24 lenders—other than HPCU—and contacted members to discuss savings opportunities by refinancing. Enhanced service efficiencies combined with several loan promotions throughout the year allowed the credit union to increase outstanding loans to members by over \$38.7 million, 10.47 percent growth over 2016. HPCU continued delivering quick decisions, competitive rates and quality service.

As we begin 2018, we will continue to invest in new and enhanced products and services to support and enrich our members and put them first in everything we do. In 2018 and beyond, we will turn our focus to providing our members with the service they deserve. We have a rich history as the credit union serving Houston Police Department, its employees and their families. Our ongoing success as a credit union relies on how well we serve them, and with our members' support we will continue the legacy of commitment to our membership. We are proud to be the trusted financial institution *For Those Who Serve™* and those who support them. On behalf of the board of directors, management, and employees of HPCU, thanks for building a strong credit union for our member-owners for generations to come.

Respectfully submitted,



Ayn Talley,
President

MANAGEMENT TEAM



EXECUTIVE MANAGEMENT

From left to right: Ayn Talley, President; Kimberly Foster, Executive Vice President; Angela Berry, Vice President; Darlene Davis, Vice President; Rachel Miranda, Vice President; Rebecca Ritter, Vice President; Wayne Stafford, Vice President; LeDetri Jenkins, Assistant Vice President; Stephanie Longrigg, Assistant Vice President; Willie Porter, Assistant Vice President

OUR PURPOSE

Houston Police Credit Union exists to promote the financial well-being of its members. We will maintain the financial strength of the credit union through a broad range of innovative financial products, prudent management of members' resources and the excellent service provided by a dedicated, well-trained staff.

2017 FINANCIAL SUMMARY

INCOME & EXPENSE

Total Operating Income	\$30,881,570.76
Total Expenses	\$15,761,722.51
Non-Operating Gain	\$-38,996.16
Total Income Before Dividend Distribution	\$15,080,852.09
Regular Dividends	\$8,227,404.60
Net Income	\$6,853,447.49

ASSETS

Loans to Members	\$409,176,330.53
Investments	\$231,675,910.30
Daily Investments	\$7,876,525.89
Other Assets	\$67,889,910.31
Total Assets	\$716,618,677.03

LIABILITIES & EQUITY

Regular Shares	\$473,121,192.66
IRA Shares	\$48,677,612.28
Share Certificates	\$15,443,860.63
Checking Accounts	\$74,325,932.36
Accounts Payable and Accrued Expenses	\$11,724,272.13
Regular Reserve	\$6,331,969.89
Undivided Earnings	\$86,993,837.08
Total Liabilities and Equity	\$716,618,677.03



■ Office Operating Expense 51.10% ■ Dividends 26.68% ■ Reserve 22.22%

FIVE-YEAR SUMMARIES

SUMMARY OF OPERATIONS

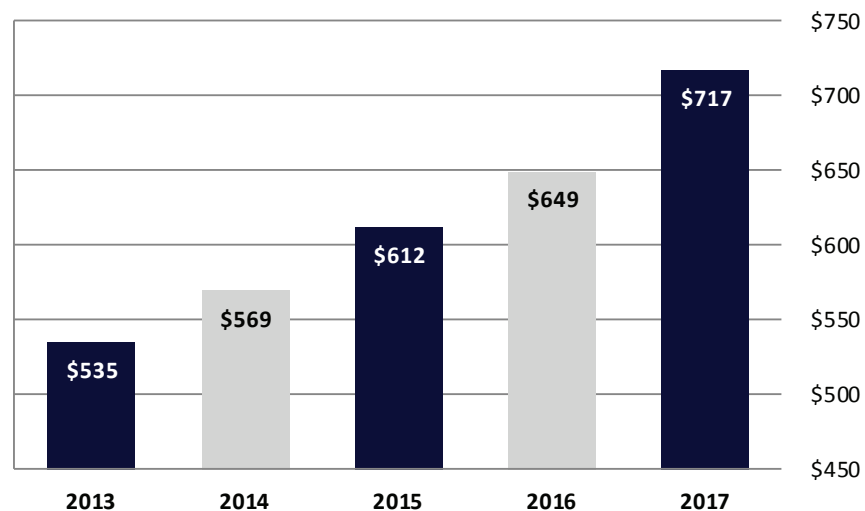
Dollar amounts in thousands

	2013	2014	2015	2016	2017
Total Assets	\$534,851	\$569,187	\$611,860	\$649,264	\$716,619
Loans to Members	\$239,903	\$274,975	\$326,081	\$370,403	\$409,176
Member Savings	\$464,864	\$490,181	\$522,433	\$553,700	\$611,569
Total Reserves	\$64,170	\$73,209	\$80,386	\$86,769	\$93,326
Total Income	\$23,071	\$24,746	\$26,820	\$30,234	\$30,843
Total Expenses	\$11,388	\$11,315	\$12,728	\$13,887	\$15,762
Total Income Before Dividend Distribution	\$11,683	\$13,431	\$14,092	\$16,347	\$15,081
Regular Dividends to Members	\$6,903	\$6,997	\$6,738	\$7,084	\$8,227
Net Operating Expense Ratio	0.95%*	0.77%	0.81%	0.56%	0.78%

*Includes National Credit Union Administration assessment for the recapitalization of the federal deposit insurance fund

SUMMARY OF ASSET GROWTH

Dollar amounts in millions



2018 FEBRUARY

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1	2	3
					HPD Payday	
4	5	6	7	8	9	10
11	12	13	14	15	16	17
		Annual Meeting			HPD Payday	
18	19	20	21	22	23	24
25	26	27	28			

2018 MARCH

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1	2	3
					HPD Payday	
4	5	6	7	8	9	10
11	12	13	14	15	16	17
					Shred Day HPD Payday	
18	19	20	21	22	23	24
25	26	27	28	29	30	31
					HPD Payday	

2018 APRIL

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6	7
8	9	10	11	12	13	14
					HPD Payday	
15	16	17	18	19	20	21
22	23	24	25	26	27	28
					HPD Payday	
29	30					

2018 MAY

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1	2	3	4	5
6	7	8	9	10	11	12
					HPD Payday	
13	14	15	16	17	18	19
20	21	22	23	24	25	26
					HPD Payday	HPCU Closed
27	28	29	30	31		
	Memorial Day HPCU Closed					

2018 JUNE

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1	2
3	4	5	6	7	8	9
					HPD Payday	
10	11	12	13	14	15	16
					Shred Day	
17	18	19	20	21	22	23
					HPD Payday	
24	25	26	27	28	29	30

2018 JULY

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6	7
			Independence Day Holiday HPCU Closed		HPD Payday	
8	9	10	11	12	13	14
15	16	17	18	19	20	21
					HPD Payday	
22	23	24	25	26	27	28
29	30	31				

2018 AUGUST

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			1	2	3	4
					HPD Payday	
5	6	7	8	9	10	11
12	13	14	15	16	17	18
					HPD Payday	
19	20	21	22	23	24	25
26	27	28	29	30	31	
					HPD Payday	

2018 SEPTEMBER

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
						HPCU Closed
2	3	4	5	6	7	8
	Labor Day HPCU Closed					
9	10	11	12	13	14	15
					HPD Payday	
16	17	18	19	20	21	22
					Shred Day	
23	24	25	26	27	28	29
30						
					HPD Payday	

2018 OCTOBER

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3	4	5	6
7	8	9	10	11	12	13
					HPD Payday	
14	15	16	17	18	19	20
21	22	23	24	25	26	27
					HPD Payday	
28	29	30	31			

2018 NOVEMBER

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1	2	3
4	5	6	7	8	9	10
					HPD Payday	HPCU Closed
11	12	13	14	15	16	17
	Veterans' Day HPCU Closed					
18	19	20	21	22	23	24
			HPD Payday	Thanksgiving Holiday HPCU Closed	HPCU Closed	HPCU Closed
25	26	27	28	29	30	

2018 DECEMBER

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
2	3	4	5	6	7	8
					HPD Payday	
9	10	11	12	13	14	15
16	17	18	19	20	21	22
					Shred Day HPD Payday	HPCU Closed
23	24	25	26	27	28	29
	HPCU Closed					
30	31	Christmas Holiday HPCU Closed				

2019 JANUARY

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1	2	3	4	5
		New Year's Day HPCU Closed			HPD Payday	
6	7	8	9	10	11	12
13	14	15	16	17	18	19
					HPD Payday	HPCU Closed
20	21	22	23	24	25	26
	MLK Day HPCU Closed					
27	28	29	30	31		

PERSONAL NOTES

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BRANCH LOCATIONS

Main Branch: 1600 Memorial Drive, Houston, TX 77007

Travis: 1200 Travis Street, Floor 20, Houston, TX 77002

Willowbrook: 17314 State Highway 249, Suite 107, Houston, TX 77064

713.986.0200 • 800.927.8707 • HPCU.coop