

2

ANNUAL REPORT

18





February 12, 2019

ANNUAL MEETING

OUR HISTORY

Originally founded on October 21, 1937, towards the end of the Great Depression, Houston Police Credit Union was created by Houston police officers as a means 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 member-owners and in the beginning was a meager operation. When a member-owner wanted to apply for a loan, an appointed officer would take the paperwork in his squad car to the member-owner 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 member-owners 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 has 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 member-owners, 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 2018, the credit union serves HPD staff, employees and their families in three locations. Membership has grown to over 28,000 and assets have reached over \$721 million. From serving academy recruits with equipment loans to retirement savings and planning, our credit union has become a vital part of our member-owners' lives through every stage of their career.

MEETING AGENDA

- Meeting Called to Order
- Invocation
- Welcome by Board Chairman
- Verification of a Quorum
- Meeting Minutes: February 13, 2018
- 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



February 13, 2018

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, Matt Slinkard, Mattie Provost and Richard Retz

The following members of the supervisory committee were present: Wendy Baimbridge, Milton "Wyatt" Martin, Mark Smith and Matthew Lem

Monty Montgomery, Houston Police Department's Chaplain, gave the invocation.

Mr. Storemski began by welcoming everyone to the 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 announced that as of last October 21st, the credit union celebrated its 80th anniversary. Mr. Storemski explained that this anniversary is a significant milestone for the credit union, as it remains a single-field membership since inception 80 years ago.

Mr. Storemski congratulated HPCU on being recognized nationally among the top 200 healthiest credit unions in the country and one of the top ten credit unions in the Houston area based on total assets. He explained being ranked among the top 200 healthiest credit unions in the country is significant when you consider there are over 6,000 credit unions nationwide.

Mr. Storemski reported that the credit union finished 2017 with a net worth of 13.50 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 explained that in 2017 the credit union produced \$409 million in loans, which was an increase of 10.47 percent over the previous year.

Mr. Storemski reported that a long-standing goal of HPCU has been to maintain interest rates on loans lower than our competitors and to maintain savings dividend rates as high as possible. He explained that our 2.00 percent dividend rate on the first \$100,000.00 in savings is significantly more than the norm, as most credit unions and banks are paying less than 1.00% on savings accounts. In 2017, the credit union had over \$611 million in deposits, with a 10.45 percent increase over the previous year.

Mr. Storemski reported that the credit union had many accomplishments in 2017. He reported that the credit union launched its new website and upgraded online and mobile banking. The credit union also changed credit card processor to improve service and technology, began issuing chip-enhanced cards to improve security against card fraud and conducted a member-owner survey to reveal products/services needing improvement or enhancement.

Mr. Storemski reported that many of the credit union member-owners were affected by the flood waters of Hurricane Harvey. In efforts to assist those affected, the credit union waived checking overdraft charges, loan late payment fees and member-owners could skip loan payments for a period of time.

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

As everyone had been presented with the 2017 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

Mattie Provost

Clifford Simmons

Mr. Storemski 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.

D. J. Storemski, Chairman

C. E. Simmons, Secretary-Treasurer



Report from the BOARD CHAIRMAN



DENNIS STOREMSKI
Chairman

Houston Police Credit Union is one of the safest and most stable credit unions in America. While sustaining its financial soundness in 2018, the credit union continued offering some of the highest savings rates and lowest loan rates available. Additionally, HPCU introduced several new solutions to its member-owners including access to over 55,000 fee-free ATMs worldwide through Allpoint®. Our priority has always been you, our member-owners, and we hope the true value of membership with HPCU continues to exceed all your expectations.

Throughout the year, the financial needs of 28,772 member-owners were met in the form of savings accounts, checking accounts, vehicle loans, home loans, personal loans and credit cards. Our strength as a financial partner grew as we made it possible for over 9,000 member-owners to purchase a vehicle, make home improvements and consolidate debt among other lending needs. By year-end, our total loans equaled \$434 million, and we maintained top-rated performance in many areas including an impressive loan to asset ratio of 60.12 percent and net worth of 14.13 percent.

We have historically declared a bonus dividend and interest refund in years where net worth was more than 14.00 percent, and 2018 was no exception. To thank you for contributing to HPCU's success in 2018, we deposited a bonus dividend and interest refunds into the primary savings of all eligible member-owners in January 2019. Our successes are not possible without our member-owners. We look forward to continued success and the trend of being able to reward our member-owners each year.

In 2019, we will continue to focus on some key initiatives:

Credit Card Program—To reduce our credit card program's overall operating costs and provide more competitive credit card products, existing VISA cardholders will be issued a replacement MasterCard mid-2019. The MasterCard-exclusive program provides cardholders improved benefits while continuing to offer some of the lowest rates available.

Technology Upgrade—To improve the member-owner experience and deliver services for today's faster pace of life, we are taking the next step to better serve you. In March 2020, an essential upgrade to our core account processing, online banking and mobile banking technologies will take place. By partnering with leading industry service providers, the modern technology will enable us to deliver robust products and services and create exceptional experiences for our member-owners.

These two initiatives are major undertakings that are needed for sustained success in the years to come, and we thank you for your membership as we progress HPCU for a better and brighter tomorrow. Together, we will make 2019 another momentous year *For Those Who Serve™* and those who support them.

Respectfully submitted,

Dennis Storemski,
Chairman



Giving back to our **MEMBER-OWNERS**

2018 WAS A **GREAT** YEAR THANKS TO OUR MEMBER-OWNERS!

Thursday,
January 10th

**WAS BONUS DIVIDEND
& INTEREST REFUNDS' DAY!**

We returned
\$3,021,974.52

28,772 member-owners had a bonus
dividend and/or interest refunds deposited

The average deposit was **\$105.03***



Savings & Checking Accounts

(includes CDs, IRAs and ESAs)

\$965,920.59



Mortgages

\$70,986.45



Loans

(includes home equity loans and HELOCs; excludes mortgages serviced by CU Members Mortgage and credit cards)

\$1,771,274.02



Credit Cards

\$213,793.46

*Total member-owners and average deposit amount based on membership totals as of 12/31/2018. Not all member-owners met the eligibility requirements to receive a deposit.



Report from the SUPERVISORY COMMITTEE



MILTON "WYATT" MARTIN
Chairman

The supervisory committee provides you, our member-owners, with an avenue to express your concerns regarding Houston Police Credit Union's policies and procedures, and 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.

Examiners 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 2017, 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, 2017. Nearman, Maynard, Vallez awarded HPCU an unqualified opinion that the prior year records, audited in 2018, fairly represent the financial condition of the credit union. In 2018, the supervisory committee retained the services of Doeren Mayhew CPAs and Advisors to perform an audit of the credit union's financial statements as of and for the year ended December 31, 2018.

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

Respectfully submitted,

Milton "Wyatt" Martin,
Chairman



Report from the **BOARD TREASURER**



RENITA FERGUSON
Secretary-Treasurer

Houston Police Credit Union is an esteemed brand our member-owners can trust. Our commitment and priority to provide quality products and services remains to help our member-owners excel financially. I am pleased to report that given HPCU's performance in 2018, the credit union is well positioned for continued success.

We exhibited another year of financial strength and growth in 2018. Our assets totaled \$721 million with a net income of \$5 million for the year ended December 31, 2018. This strong financial performance places us at the forefront of several of its peers and positions the credit union to explore opportunities to enhance our member-owner experience.

We achieved \$434 million in total loans, an increase of 5.96 percent from 2017. Membership also increased in 2018 to 28,772 and deposits increased by 0.16 percent, totaling nearly \$613 million. The pattern of stability demonstrates that we are meeting the financial needs of each of our member-owners with competitive products and services, higher than average savings rates and competitively low loan rates. In 2018, 1,103 new member-owners joined our family. Additionally, over 9,000 new loans were funded to help member-owners progress along the path to financial freedom.

Throughout 2018, the board of directors and management team executed strategic plans to ensure that HPCU maintains its financial wellness and stability. Our 14.13 percent net worth is very well regarded by our regulators, as a credit union is considered well-capitalized with a net worth of 7.00 percent or higher. Each quarter the National Credit Union Administration (NCUA) receives extensive financial data from us to measure HPCU's financial strength and net worth. Together, with our independent auditing firm, management team and staff, we will continue building a prosperous future for both our member-owners and the credit union.

Respectfully submitted,

Renita Ferguson,
Secretary-Treasurer

BOARD OF DIRECTORS



DENNIS STOREMSKI
Chairman



BOBBY CAMP
1st Vice Chairman



RENITA FERGUSON
Secretary-Treasurer



RICHARD RETZ
Assistant Secretary-Treasurer



WENDY BAIMBRIDGE
Member



MILTON "WYATT" MARTIN
Member



MATTIE PROVOST
Member

SUPERVISORY COMMITTEE



MILTON "WYATT" MARTIN
Chairman



MATTHEW LEM
Member



SCOTT SIMMONS
Member



MARK SMITH
Member



Report from the CREDIT UNION PRESIDENT



AYN TALLEY
President

2018 was another remarkable year for Houston Police Credit Union, and I am excited to share the performance results reflected in this year's annual report. The credit union continued to operate based on its financially sound and fiscally conservative founding principles. These practices have served us well over the past 81 years. HPCU began operating in 1937 to provide reasonably-priced loans and a safe place for life savings for Houston Police Department employees and their families. That is as true today as it was back then.

There is a fundamental difference in how we operate. As a not-for-profit financial cooperative, HPCU does not work for stockholders. We work for you, our member-owners, and return our profits through lower loan rates, higher deposit rates and ongoing investments in technology to provide security and convenience. The value we can return to our member-owners increases year after year as more of the credit union's products and services are used.

In 2018, HPCU was recognized nationally among the top 200 healthiest credit unions in the country for the fifth consecutive year. Each institution in the financial health study was graded on factors such as capitalization, deposit growth and loan-to-reserve ratios. Only 11.00 percent of the 11,452 federally insured banks and credit unions evaluated received an "A+" rating in the study, and HPCU was among the 1,260 institutions to achieve such an incredible health rating. In addition to our focused operational efficiencies and strategic planning, we attribute this achievement to our special relationship with each member-owner on their financial journey.

It is critical that the credit union remains forward-thinking to stay relevant. In addition to enhancements in 2018, HPCU introduced several new services to our 28,772 member-owners. These included services such as CardValet®, Apple Pay®, Google Pay®, Samsung Pay®, Masterpass™ and an electronic transfer service through online banking. We also expanded our ATM network through Allpoint® to provide access to over 55,000 fee-free ATMs worldwide. In 2018, many of our organizational goals were exceeded all while we continued to build strong relationships with both our members-owners and the Houston Police Department through our active involvement in community outreach programs and charitable events.

We strive to improve the lives of our member-owners through the products, services and financial resources we offer. The responsibility as the credit union *For Those Who Serve™* and those who support them is taken seriously. From opening your very first savings account to planning for retirement, we strongly believe that together we can help make a difference in all stages of your life.

We are excited to experience countless successes with you in 2019. Thank you for your membership as we continuously advance HPCU as one of the best, if not the best, credit unions in the country.

Respectfully submitted,

Ayn Talley,
President



Supporting our POLICE COMMUNITY



Houston Police Credit Union proudly:

- Sponsored luncheons for new cadet classes 234, 235, 236 and 237, and lateral class L-12-18 during cultural diversity tours of Houston
- Assisted with tours and demonstrations for Houston-area school children during National Police Week
- Sponsored raffle items for the annual family picnic presented by the Houston Police Officers' Union and First Responders Benefit Trust
- Collected over \$1,600.00, donated by HPCU employees, to purchase blankets during the Youth Police Advisory Council's first annual blanket drive
- Sponsored and participated in the 9/11 Heroes Run 5k + 1M fun run/walk presented by the Travis Manion Foundation
- Sponsored Mounted Patrol horse, "Loan Ranger", through the Houston Police Foundation's Adopt-A-Horse program



Credit Union MANAGEMENT

MANAGEMENT TEAM



AYN TALLEY
President



KIMBERLY FOSTER
Executive Vice President



DARLENE DAVIS
Vice President



LEDETRI JENKINS
Vice President



RACHEL MIRANDA
Vice President



REBECCA RITTER
Vice President



WAYNE STAFFORD
Vice President



STEPHANIE LONGRIGG
Assistant Vice President



WILLIE PORTER
Assistant Vice President

OUR MISSION

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



2018

FINANCIAL SUMMARY

INCOME & EXPENSE

Total Operating Income	\$33,618,660.66
Total Expenses	\$16,471,738.87
Non-Operating Gain	-\$9,902.65
Interest Refunds to Member-Owners	\$2,223,269.45
Total Income Before Dividend Distribution	\$14,913,749.69
Regular Dividends to Member-Owners	\$8,742,948.06
Bonus Dividends to Member-Owners	\$974,568.05
Net Income	\$5,196,233.58

ASSETS

Loans to Member-Owners	\$433,555,003.48
Investments	\$215,321,278.45
Daily Investments	\$6,860,062.43
Other Assets	\$65,432,526.01
Total Assets	\$721,168,870.37

LIABILITIES & EQUITY

Regular Savings	\$465,691,917.25
IRA Savings	\$48,435,104.58
Savings Certificates	\$22,511,419.29
Checking Accounts	\$75,939,563.31
Accounts Payable and Accrued Expenses	\$12,203,196.73
Regular Reserve	\$6,331,969.89
Undivided Earnings	\$90,055,699.32
Total Liabilities and Equity	\$721,168,870.37



- Office Operating Expense 47.84%
- Interest Refunds to Member-Owners 4.65%
- Regular Dividends to Member-Owners 27.86%
- Bonus Dividends to Member-Owners 3.11%
- Reserve 16.56%



Five-Year SUMMARIES

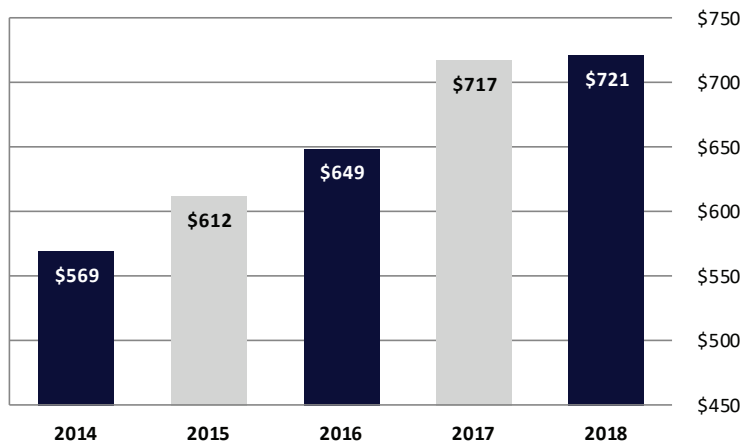
SUMMARY OF OPERATIONS

Dollar amounts in thousands

	2014	2015	2016	2017	2018
Total Assets	\$569,187	\$611,860	\$649,264	\$716,696	\$721,169
Loans to Member-Owners	\$274,975	\$326,081	\$370,403	\$409,176	\$433,555
Member-Owners' Savings	\$490,181	\$522,433	\$553,700	\$611,569	\$612,578
Total Reserves	\$73,209	\$80,386	\$86,769	\$93,326	\$96,388
Total Income Before Interest Refund	\$24,746	\$26,820	\$30,234	\$30,843	\$33,609
Total Expenses	\$11,315	\$12,728	\$13,887	\$15,762	\$16,472
Interest Refunds to Member-Owners	\$0	\$0	\$0	\$0	\$2,223
Total Income Before Dividend Distribution	\$13,431	\$14,092	\$16,347	\$15,081	\$14,914
Regular Dividends to Member-Owners	\$6,997	\$6,738	\$7,084	\$8,227	\$8,743
Bonus Dividends to Member-Owners	\$0	\$0	\$0	\$0	\$975
Net Operating Expense Ratio	0.77%	0.81%	0.56%	0.78%	0.71%

SUMMARY OF ASSET GROWTH

Dollar amounts in millions





2019

FEBRUARY

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
27	28	29	30	31	1 HPD Payday	2
3	4	5	6	7	8	9
10	11	12 Annual Meeting	13	14	15 HPD Payday	16
17	18	19	20	21	22	23
24	25	26	27	28	1	2



2019

MARCH

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
24	25	26	27	28	1 HPD Payday	2
3	4	5	6	7	8	9
10	11	12	13	14	15 Shred Day HPD Payday	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31					HPD Payday	



2019

APRIL

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
31	1	2	3	4	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	1	2	HPD Payday 3	4



2019
MAY

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
28	29	30	1	2	3	4
5	6	7	8	9	10	11
					HPD Payday	
12	13	14	15	16	17	18
19	20	21	22	23	24	25
					HPD Payday	HPCU Closed
26	27	28	29	30	31	1
	Memorial Day HPCU Closed					



2019

JUNE

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
26	27	28	29	30	31	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	Shred Day HPD Payday 28	29
30						



2019
JULY

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
30	1	2	3	4	5	6
				Independence Day HPCU Closed	HPD Payday	
7	8	9	10	11	12	13
14	15	16	17	18	19	20
					HPD Payday	
21	22	23	24	25	26	27
28	29	30	31	1	2	3



2019

AUGUST

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
28	29	30	31	1	2	3
					HPD Payday	
4	5	6	7	8	9	10
11	12	13	14	15	16	17
					HPD Payday	
18	19	20	21	22	23	24
25	26	27	28	29	30	31
					HPD Payday	HPCU Closed



2019

SEPTEMBER

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1	2 Labor Day HPCU Closed	3	4	5	6	7
8	9	10	11	12	13 HPD Payday	14
15	16	17	18	19	20 Shred Day	21
22	23	24	25	26	27 HPD Payday	28
29	30	1	2	3	4	5



2019

OCTOBER

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
29	30	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	
27	28	29	30	31	1	2



2019

NOVEMBER

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
27	28	29	30	31	1	2
3	4	5	6	7	8	9
					HPD Payday	HPCU Closed
10	11	12	13	14	15	16
	Veterans Day HPCU Closed					
17	18	19	20	21	22	23
					HPD Payday	
24	25	26	27	28	29	30
				Thanksgiving Day HPCU Closed	HPCU Closed	HPCU Closed



2019

DECEMBER

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1	2	3	4	5	6	7
					HPD Payday	
8	9	10	11	12	13	14
15	16	17	18	19	20	21
					Shred Day HPD Payday	
22	23	24	25	26	27	28
		HPCU Closed	Christmas Day HPCU Closed			
29	30	31	1	2	3	4



2020

JANUARY

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
29	30	31	1 New Year's Day HPCU Closed	2	3 HPD Payday	4
5	6	7	8	9	10	11
12	13	14	15	16	17 HPD Payday	18 HPCU Closed
19	20 MLK Day HPCU Closed	21	22	23	24	25
26	27	28	29	30	31 HPD Payday	1



Personal
NOTES

Locations

Memorial Branch—Main: 1600 Memorial Drive, Houston, TX 77007

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

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

713.986.0200 • 800.927.8707 • HPCU.coop

** Restricted access. Branch is available to member-owners with security access to Houston Police Department only.*