



Taking Care of Our Own

ANNUAL REPORT 2019



the
Police
Credit Union

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Message from the Chair of the Board of Directors

I am Rodney Fraser and I'm honored to have served as the Chair on your Board of Directors of *The Police Credit Union (TPCU)* for 2019. The Board of Directors works for you and we take this responsibility very seriously. We hope we have continued to earn your trust and appreciate your support throughout this past year.

What does it mean to belong to *The Police Credit Union*? To us, you are not just another customer; you are a member and owner who has the right to expect a different kind of banking relationship. The team at *The Police Credit Union* focuses on what is right for you and in your best interest with sound expert financial advice. You can be assured our customer service will make a difference to you and your family.

Effective June 8, 2019, the Financial Services Regulatory Authority of Ontario (FSRA) assumed the regulatory duties of the Financial Services Commission of Ontario and the Deposit Insurance Corporation of Ontario. FSRA regulates the Credit Union/ Caisses Populaire sector in Ontario providing deposit insurance and prudential oversight. Ontario credit unions are regulated through a comprehensive regulatory framework, in addition to their own by-laws and articles of incorporation. They are also expected to adhere to FSRA issued Guidance Notes and Advisories that outline sound business and financial practices.

The Board of Directors of TPCU continues to work with our Regulator (FSRA) to ensure that our organization meets safe operating parameters. Monitoring and compliance continue to be our key areas of focus. To that end, we have committed to ongoing training courses and attending conferences, staying abreast of the regulatory framework and consulting outside resources when needed.

The Board of Directors would like to acknowledge the hard work and dedication of our Audit Committee, chaired by Geri James and aided by the External and Internal Auditors. The committee monitors financial reporting, risk management and auditing mandates and advises the Board accordingly of any pertinent issues.

The Police Credit Union team has been working closely with our policing partners, welcoming 739 new members to our Credit Union. Through our on-boarding process, new members received financial advice and solutions along with several banking options to support their needs. Out of the 739 new members, 427 were new recruits who received OPC training loans which no doubt was a huge help in starting their new career in policing. We have 17 new members joining us from outside the GTA: Thunder Bay, Brantford, Belleville, Peterborough, St. Thomas, and Woodstock to name a few areas. These new memberships are a testament to the hard work of our team and the ongoing focus to develop partnerships with all Police Services and Associations in Ontario.



During this past year, we have continued to grow to a \$342 million asset-based financial institution.

During this past year, your Credit Union has continued to grow and is now a \$342 million asset-based financial institution with a growth of 5.86% over 2018. This growth allows us to continue to meet your financial and borrowing needs while keeping within our regulatory framework. Our Financial Service Officers and Centralized Lending team work diligently to ensure we provide

you with various loan options and competitive rates.

I am pleased to report to the membership that your Credit Union under the leadership of our Chief Executive Officer, Andy Doak, has generated a pre-tax income of over one million dollars.

2019 was not without its challenging times. However, with our positive results, the Board of Directors declared a 4.63% dividend to be paid to Class B, Series 1 Investment shareholders on record on Dec 31, 2019. The total cash distribution was \$231,500 and members received payments to their account before the end of February 2020.

Elections this year will be held for two vacant spots on your Board. You will be choosing your Board members from one of the largest group of candidates we have had in many years. I would like to thank all those that have submitted their names for consideration. This is a great response and shows all of us that the membership continues to show interest in the ongoing success of our Credit Union. Good luck to all the candidates.

To my fellow Board members, I want to personally thank you all for your dedication, guidance, knowledge, and your support. Your commitment to *The Police Credit Union's* successes have made my transition to the role of Chair a little less stressful. In closing, I would also like to thank TPCU team for their ongoing support, commitment, dedication, and everyday hard work that makes standing up here tonight a pleasure and an honour.

Everyone here tonight should be proud of our motto "Taking Care of Our Own!" *The Police Credit Union* has a very proud past and a bright future.

Thank you,



Rodney Fraser
Chair – Board of Directors

Board of Directors

Back row L to R:
Gary Leitch, Rod Fraser (*Chair*), Mike Sharp, Stan Colley

Front row L to R:
Bob Spafford, Geri James, George Tucker



Message from the CEO

Overall, our profit before taxes was \$1.0 million for 2019, up \$0.2 million compared to the prior year. Another year of strong financial performance for the Credit Union which has led to balance sheet growth, higher net income and a strong capital position that should support future growth and development. Total assets from the prior year were up \$18.9 million or 5.86% and net income was up \$219 thousand or 32.5%. *The Police Credit Union* continued to *take care of our own* members with low interest rates on loans and mortgages and with very competitive rates on deposits.

FINANCIAL FOCUS

The strength of the mortgage market that we saw in the previous two years was not the same in 2019. The slower growth from mortgage activity was felt across the credit union system in 2019 as home buyers adjusted to stricter mortgage regulations. Growth in loans to members was driven from strong recruit hiring activity on the personal loans portfolio, while mortgage activity saw slower growth.

Total residential mortgages held by members grew \$2.9 million or 1.1%. Personal loan balances to members grew \$4.4 million or 23.4% from strong recruit hiring activity in 2019. Commercial mortgages and loans closed out the year with a balance of \$4.6 million. Overall growth in the total loans to members increased \$6.6 million or 2.2% compared to the prior year.

The Credit Union adopted a competitive position for member deposits with a deposit campaign earlier in the year and continued competitive pricing throughout the year resulting in strong deposit growth of \$17.6 million or 6.3% compared to 2018.

- Term deposit balances grew \$7.0 million which represents an increase of 7.3% compared to 2018
- Tax-Free Savings Accounts closed the year at \$25.3 million, higher by \$3.9 million or 18.3% compared to 2018
- Registered product balances increased \$779,000
- Members' chequing and savings account balances, up \$5.3 million or 5.5%

Assets under administration from our off-balance sheet Wealth Management platform grew \$2.7 million or 11.7%, from \$23.4 million in 2018 to \$26.1 million in 2019.

Total asset growth for the year was \$21.6 million. This includes the off-balance sheet wealth administered assets as well as the assets managed by TPCU. Total asset balances grew from \$346.6 million in 2018 to \$36.2 million in 2019 and increase of 6.2%.

Operating revenues, which is interest earned on loans and investments, increased from \$9.8 million in 2018 to \$11.1 million in 2019. Higher interest income from the previous year is mainly from growth in the portfolio balances of both personal loans and residential mortgages.

Interest expense on member deposits, member rebates and Credit Union borrowings was \$1.1 million higher than 2018 closing the year at \$4.8 million. Higher interest expense has resulted from deposit portfolio growth during the year. In addition, the deposit campaign held early in 2019 also resulted in higher interest expenses on deposits. Two mortgage-backed securities (MBS) pools were issued in 2019 which has led to higher interest expenses.

Financial margin results which represent operating revenues less interest expense grew \$303 thousand from \$6.1 million in 2018 to \$6.4 million in 2019. The growth in financial margin was mainly from strong interest income due to growth in the lending portfolio.

During the year, the provision for loan losses was \$26 thousand compared to loan loss recovery of \$16 thousand in 2018. Revenues associated with other income sources was \$61 thousand higher compared to the previous year closing out the year at \$1.4 million.

Operating expenses increased \$93 thousand from 2018 to \$6.7 million in 2019. The increase in operating expenses are attributed to the increased in salaries and benefits from higher staffing costs combined with annual increases offset by some savings on administrative expenses.

Income before taxes from ongoing operations was \$229 thousand higher compared to the previous year. The strong financial performance in 2019 resulted in income before taxes of \$1.036 million compared to \$807 thousand in 2018.

YEAR IN REVIEW

The Police Credit Union (TPCU) is guided by its core strategic principles:

- “Rewards membership” is key to our success, this means offering members the best prices upfront on both loans and deposits with lowest service charges possible
- Nurture and enhance relationships with our existing members, our core Police Services and their Associations
- Provide financial assistance to Ontario Police recruits to attend Ontario Police College
- Provide membership convenience with strategic branch locations within our core police services and through our Call Centre operations
- Provide convenient banking services through computer and mobile banking channels, automated payment processes and ATM networks like *Interac* and *THE EXCHANGE*
- Provide newer innovative financial products, services and mobile platforms for members
- Invest in technology to increase efficiencies of staff resources

Our dedicated staff worked tirelessly to enhance relationships with all members, our core police services and the police associations. More members continued to choose our REWARDS platform and brought more of their borrowing and deposit business to the Credit Union.

The Credit Union maintained strong leverage capital and risk weighted capital in 2019 and both exceeded the regulatory limits and Board limits. Leverage capital level in 2019 was 6.01% (2018 – 6.15%) while Risk Weighted Capital level was 14.74% (2018- 14.77%).

The Credit Union's strategic direction is to gradually improve operating efficiency levels to 85%. Operating efficiencies levels finished at 87% (2018 – 89%).

Loan Report

Loan demand from members increased 4.2% compared to the previous year. Total loans advanced and lines approved to members decreased \$36.1 million from \$111.4 million in 2018 to \$75.3 million in 2019. Although personal loan numbers increased due to strong recruit activity mortgage numbers were down due to market conditions and the implementation of the stress test.

Total loans to members were \$301.0 million, an increase of 2.2% over the previous year when loans to members totalled \$294.4 million.

During the year, the loan loss allowance increased from \$69,920 in 2018 to \$91,577 in 2019. Recoveries on loans previously written-off was \$10,990. Loan write-offs during the year amounted to \$15,682. One member filed for Consumer Proposal or Bankruptcy in 2019.

	2019		2018	
	Number	Amount	Number	Amount
Total Lending Activity				
Personal				
Personal Loans	585	\$ 10,235,353	486	\$ 8,400,432
Lines of Credit	365	14,849,590	350	20,647,810
Mortgages	147	48,135,458	217	80,883,147
Commercial				
Mortgages	6	2,102,644	5	1,469,000
Lines of Credit	0	0	0	0
Total	1,103	75,323,043	1,058	111,400,389
Total Loans not approved	93	3,167,802	95	5,002,682
Grand Total	1,196	78,490,845	1,158	116,403,071
Loan Allowance				
Specific	8	17,908	5	13,447
Non-Specific and General		73,669		13,447
Grand Total	8	91,577	5	69,920

Recruits

Since 1996, *The Police Credit Union* has been committed to assisting recruits hired by police services in Toronto, Durham, York, Peel, and others in Ontario with financial assistance for the cost of the Ontario Police College (OPC) in Aylmer, Ontario. Tuition fees to attend OPC were \$11,065 for each recruit for most of 2019 and increased to \$14,550 for the December intake of recruits at the Ontario Police College in January 2020. *The Police Credit Union* is committed to providing all new recruits attending OPC with an automatically pre-approved, low rate, recruit training loan along with additional funds to purchase a computer (if required) which is now a prerequisite for the program. The additional funds can also be used for miscellaneous needs to help the recruit during their training at OPC. The recruit package is designed to help recruits transition to their policing career and includes overdraft protection, a line of credit, and a Mastercard.

This year, 427 new recruits joined TPCU and 302 (70.7%) recruits became REWARDS members. This is an important first step in building long-term relationships with our newest members. Through the REWARDS program, recruits automatically receive special products and services at preferred rates, which enable them to take full advantage of all their Credit Union has to offer plus it gives our staff a chance to learn more about each member to determine which financial services are the right fit. Financial reviews are conducted to help recruits navigate financial needs right away and prepare for their financial future. We are proud to report that throughout the history of the program, we have assisted 5,499 recruits with their dream of becoming a police officer.



This year a record 427 new recruits joined TPCU, and 71% of them became REWARDS members.

Product, Services and Technology Enhancements

The Police Credit Union offers a full suite of financial products and services to its members. Retail products for individuals include Canadian dollar chequing and savings accounts, US dollar chequing and savings accounts, Term deposits, Registered Retirement Savings Plan, Registered Retirement Income Funds, Tax Free Savings Accounts and Registered Education Savings Plans. Concentra Trust provides trustee services for all the Credit Union's registered products.

Lending products include installment loans, demand loans, lines of credit and overdraft protection on member chequing accounts. The Credit Union also provides conventional and high ratio insured mortgages, bridge financing, and equity lines of credit. Our Continuing Education Line of Credit was designed to provide financial assistance to members who are beginning the promotional process within their designated police service as many of our police services are placing a greater emphasis on their officers gaining higher levels of education to qualify for higher rank promotions.

A commercial lending program is available to assist members with the purchase or refinance of Investment Properties or Police Associations who require finance to purchase or construct Association premises.

The Police Credit Union uses MemberCard card services to provide members access to Automated Teller Machine and Point of Sale services through *Interac*, THE EXCHANGE and Cirrus networks. Mastercard credit cards are provided to members through an arrangement with Collabria Financial.

Mobile banking services for members include a native mobile banking app for iPhone and Android devices. The app has all the convenient features that members expect including checking their account balances, paying bills, funds transfers, and finding the nearest branch or ATM. It's a fast and secure way for members to handle everyday banking wherever and whenever it suits them. The mobile banking app includes Deposit Anywhere™ services – members can quickly and securely deposit their cheques with their smartphone or tablet, from anywhere, day or night. Deposit Anywhere is a free service and is just as secure as depositing a cheque at a branch. Members can complete their deposit in less than a minute and can do it from anywhere and at any time.



This year five \$1,000 scholarships were awarded to young members of the credit union.

Wealth Management Services are available to all members. Financial planning, investment advice and mutual funds are available through Credential Asset Management Inc., with access to top mutual fund companies.

Creditor insurance products for life, disability and critical illness are available through our partner Credit Union Insurance Services (CUIS). Travel and Term Life insurance products may also be acquired.

Members of *the Police Credit Union* continue to use the services of Car Choice Canada, an Automotive Advisory Service which assists car shoppers with the purchase of new or used vehicles and leasing. Car Choice Canada saves you time and money without the hassle of negotiating. Members can obtain an unbiased opinion on vehicle comparisons and the service can locate any type of vehicle, new or used, at the best price from over 35 new car dealers in the GTA who offer vehicles of every make or model, new or used.

We continue to seek out and evaluate new innovative technologies that will benefit the members of our Credit Union and expand efficiencies and member service.



Scholarship winner Sarah Kerrigan (centre left) with Halton Branch Manager Donna Aleksovski (centre right)

Youth Support and Education

Credit Unions are unique in the ways that they conduct business and serve their members. What we celebrate as the credit union difference extends far beyond our financial services. As member-owned co-operatives, credit unions have a long, distinguished history of reflecting the strength of their co-operative values in forging stronger communities.

The Police Credit Union is committed to supporting our young members as they strive to reach their personal and academic goals. It's one of the many ways that we take care of our own. By investing in accomplished students, we are helping to develop caring and engaged young leaders who will make meaningful contributions to the future of our communities.

One of the ways in which we supported our community of young members was to offer a scholarship program for children and grandchildren of our members. This year, five \$1,000 scholarships were awarded to young members of our Credit Union.

Human Resources and Training

The Police Credit Union continues to experience an increasingly competitive and changing business environment, as the structures and business focus of competitors continues to evolve. Member expectations continue to be challenging and there is an increasing urgency in attracting, motivating and retaining high-level talent to provide the Credit Union with a competitive advantage. To ensure *the Police Credit Union* remains competitive in the marketplace, we commit to reviewing our compensation packages annually for our employees. Improvements to our Employee Benefit plan were well received in 2019. One new feature was giving our employees access to a Health Care Spending Account to customize services important to them and dependents, where applicable.

Staff development is integral to the success of our Credit Union. We continue to use our national training partners, CuSource and CU Training, that provide training to both new hires and current employees to enhance their development goals and meet the annual compliance requirements.

All employees have met required legislative requirements by completing training sessions in Money Laundering and Terrorist Financing (FINTRAC); new employees complete Integrated Accessibility Standards (AODA); Canadian Anti-Spam Legislation (CASL), Occupational Health and Safety Awareness and Workplace Violence and Harassment to comply with legislative guidelines. Selected staff have completed their annual re-qualification in CPR and First Aid to continue to ensure that each of the Credit Union's locations have trained staff on-hand to assist in the event of an emergency.

In 2019 we welcomed several new employees to our Credit Union. Their fresh perspective and ideas compliment our experienced employees leading us into the future. One of these employees, a Marketing Coordinator, has brought immediate relief to the workload of our Internal Marketing Committee. This position is responsible for the development and implementation of both internal and external strategic communications and marketing programs as outlined in the Credit Union's annual marketing plan.

Our Annual Employee Engagement Survey is completed to measure and assess both our employees' satisfaction and commitment to our organization. An "engaged employee" is one who is fully absorbed by and enthusiastic about their work and so takes positive action to further the organization's reputation and interests. We believe that an "engaged employee" will provide for a better member experience and will result in a win-win situation for all. Since launching the survey in 2015, we have seen a steady increase in the satisfaction rate of our employees. The engagement results for 2019 were the highest to date.

Marketing and Business Development

The prime purposes of our marketing communications each year are to ensure that *The Police Credit Union* remains top of mind for our members' financial requirements, and that knowledge of products and services remains current. We use regular mail and email programs to supplement personal staff communications with our many loyal members. Monthly statement notifications and promotional emails are used to inform and introduce our products and promotions in a cost-effective manner.

The Police Credit Union awareness campaigns have been running for some time now. In addition to mail and email, the Credit Union ensures promotional details are available on our website and on in-branch digital screens. In addition, where permitted the Credit Union has access to some Police Service Intranets and to screen savers on their computers, so police personnel are provided with our latest campaigns and promotions.



Toronto has the largest deposit portfolio of all branches at \$119 million.

The Police Credit Union has committed to donating, annually, a percentage of the revenue sharing profits generated by our Mastercard credit card product to the Ontario Police Memorial Foundation. The foundation is near and dear to our members and this program resonates with our membership group and is successful within our policing community. The more our members use our MasterCard for their credit card purchases, the greater the annual donation. After five years, the Credit Union will have donated more than \$44,000 to the foundation.

RETAIL AND CORPORATE BRANCHES

Toronto

The Toronto branch serves the largest number of members. A dedicated staff of four support 3,885 members with their financial needs while helping them meet their financial goals. The branch continues to deepen relationships within the Toronto policing community including the Toronto Police Service, The Toronto Police Association, the Toronto Police Pensioners, and Widows and Orphans.

Total Assets finished the year at \$137.6 million, which includes a loans portfolio of \$44.5 million and a deposit portfolio of \$119.2 million, the largest deposit portfolio of all the branches.

College

The 40 College branch is located inside Toronto Police Headquarters. The location is convenient for members that work in the building, as well as Court Services located nearby at College Park. The hours of operation are better aligned to the needs of employees at Toronto Police Headquarters. The branch location makes it easier to maintain relationships with Toronto Police as well as participate in orientation for new hires including police recruits.

The branch is staffed by two employees who take care of the financial needs of 813 members and holds \$15.1 million in assets which includes \$8.8 million in deposits and \$14.8 million in loans.

Durham

The Durham branch at our Whitby location has \$67.2 million in total assets and currently supports 2,864 members in realizing their financial goals. The branch has four staff that assist members with all their banking needs, and is frequently visited by retired members living in the east end, as well as members from Toronto and Durham Regional Police Services.

The branch total assets includes \$64.9 million in deposits for members and loans of \$57.6 million. The branch continues to grow and foster relationships with the Durham Regional Police Service and Durham Regional Police Association, as well as the Cobourg Police Association. The branch also continues to explore new police relationships further east.



In 2019, an agreement was reached with the local police association to establish a new York branch.

York

The branch manages total assets of \$59.2 million and helps 2,189 members with their financial needs and goals which includes \$58.9 million in member loans and \$45.5 million in member deposits.

A staff of four employees are dedicated to the financial well-being of members. The branch continues to deepen relationships with the York Policing community including York Regional Police, York Regional Police Association, and York Regional Police Pensioners. The branch also fosters relationships with South Simcoe Police, Orangeville Police Service, Barrie Police Service, and continues to explore opportunities with other police services further north.

During 2019, an agreement was reached with the York Regional Police Association to establish a new York Branch as part of the development of their Association lands on Eric T Smith Way in Aurora just off Highway 404 at the Aurora Road off ramp.

The Credit Union's current York Branch located on Yonge Street in Newmarket will relocate to its new facility on the ground level floor occupying approximately 2,000 square feet and will house a lobby-style ATM machine with 24-hour access and will be designed with our traditional layout and colours as established at our other branch locations. We anticipate the relocation to occur during the second quarter of 2021.

Peel

The Peel branch has grown to be the second largest branch with total assets of \$106.4 million. The branch provides financial help and guidance to 2,056 members with a full-time staff complement of five. Deposits have grown to \$50.0 million, while loans to members has reached the highest level of all branches totaling \$105.2 million.

The branch continues to change and evolve with its membership, many of which are in their prime borrowing stage of life. The dedicated branch staff continue to deepen and grow business relationships with their members, as well as police relationships with the Peel Regional Police Service, the Peel Regional Police Association, and the Police Association of Ontario.

Halton

The branch opened for business on January 3, 2018. Now in its second full year, the branch continues to grow serving 327 members with growth in total assets of \$20.4 million. Included in the total assets are deposits of \$3.8 million and loans of \$19.7 million. The Halton branch is well positioned to serve Credit Union members that live in the area and further west. Management and branch staff are actively engaged to strengthen and deepen the business relationships with Halton Regional Police Association and Halton Regional Police Service.



The Halton branch continues to grow in its second year, serving 327 members with growth in total assets of \$20.4 million.

Call Centre

The Call Centre has operated with a team of four call centre representatives who provide members assistance and offer solutions for a variety of financial needs. The dedicated representatives provide personalized service over the phone, email, and secure contact via online and mobile platforms.

The Call Centre operates longer hours than our branches and is open on Saturdays from 10 am to 3 pm. The Call Centre can be reached as early as 8 am each weekday morning, until 5 pm Monday through Wednesday, and available to assist members as late as 7 pm on Thursdays and Fridays. The longer hours of operations have been well received by members that appreciate speaking to a live representative to help them with their financial needs. The Call Centre is a great alternative to visiting a branch, allowing members to conduct banking transactions and receive help and assistance from the convenience of their own homes.

Corporate Administrative Branch

The Corporate Administrative Branch Operations include Administration, Accounting, Human Resources, Information Technology, Call Centre, Marketing, Wealth Management, Centralized Lending and the CEO's office.

This centralized structure of having all corporate operations within the same facility provides the appropriate framework for efficient operations while supporting the ongoing business growth of our retail branch operations and to maintain and build stronger member relations while improving the service delivery experience.

COMMUNITY INVOLVEMENT ACTIVITIES

The Police Credit Union actively supports and partners with our policing communities throughout the year. Police Association summer picnics as well as children's holiday parties are supported with gifts. In addition to these functions, support is also provided to several Association Golf tournaments for their charitable endeavours including attending the tournaments, sponsoring holes, and providing giveaways.

Charitable events sponsored by our police services, organizations and Associations are supported with Blue Jay tickets to help with fundraising. Blue Jay tickets have been well received and helped to generate good donations for the charity involved. Some of these events are golf tournaments, others are special functions. Board and staff also attend gala events organized by our police services, including the Toronto Police's Chief's Gala in support of Victims, and the York Regional Police Appreciation night.

The Police Credit Union supports conferences within our policing communities including those for the Police Association of Ontario and Ontario Women in Law Enforcement.

Branches donated to events in support of charities important to their core police communities, such as the Law Enforcement Torch Run for the Special Olympics. In December, all our branches partnered with their core police services as a drop-off point for the Christmas toy drive in their respective regions.

INTO THE FUTURE

As we enter our 75th year of providing financial services to our policing communities, our plans include for safe organic growth with our members and increasing our membership base through active pursuit of new recruits and civilian hires (and their respective families) of Police Services. In addition, we will continue to nurture existing relationships with the Police Services and Police Associations to which our members belong and explore new relationships with other Police Services and their employees within proximity to the GTA.

We will continue to offer our best possible prices on all our products and services, ensure that we have the latest in product offerings, and provide our members with the newest technological advancements made available by financial institutions.

In 2020, TPCU will launch a new website that will significantly enhance members' user experience. This will be followed up by new online banking and mobile banking channels.

Efforts to construct the new York branch will begin to ramp up toward the end of this year as we anticipate the relocation to occur during the second quarter of 2021.

The Credit Union's strategic direction remains to gradually improve operating efficiency levels to 85%. Management will continue to seek out options to grow operating income or manage effectively operating expenses and assimilate these strategies into operations over the next few years.

ACKNOWLEDGMENTS

First, I'm grateful to the Board of Directors for their continued support and the faith they have placed in me to lead *The Police Credit Union*. Secondly, to my Senior Management team, thank you for all your hard work, dedication and support throughout this past year, you are truly the best team that I have ever assembled. Third, I would like to express my sincere appreciation to all staff of *The Police Credit Union* – you are all so wonderful to work with, and you do a great job in making our credit union the successful organization it is. Lastly, but most important, thank you to the membership for putting your faith in us. We hope that our collective efforts show you that we “take care of our own”.



Andy Doak
Chief Executive Officer

Senior Management Team



From L to R:
Denzil D'Mello, Controller
Sheila Carvalho, Member Credit Manager
Bess Kominos-Estrela, Manager of Retail Services
Andy Doak, Chief Executive Officer
Karen Zwarych, Human Resources & Training Manager

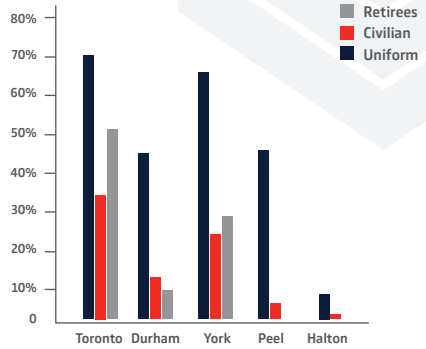
Comparative Highlights

<i>Years Ended December 31</i>	2019	2018	2017	2016	2015
Operating Revenue	\$ 11,118,956	9,765,683	8,843,269	8,039,744	8,126,828
Interest on Members' Deposits					
- amount	\$ 3,980,557	3,203,067	2,661,507	2,621,137	2,794,504
- percent	35.8%	32.8%	30.1%	32.6%	34.5%
Financial Margin					
- amount	\$ 6,361,127	6,057,838	6,107,263	5,351,015	5,245,171
- percent	57.2%	62.0%	69.1%	66.6%	64.5%
Comprehensive Income					
- amount	\$ 890,750	672,166	670,249	1,373,064	359,062
- percent	8.0%	6.9%	7.6%	17.1%	4.4%
Loans to Members	\$ 300,968,499	294,410,163	263,652,868	237,022,226	230,408,948
Membership Shares	\$ 1,212,073	1,234,370	1,213,080	1,216,709	1,220,509
Investment Shares (Gross amount)	5,000,000	5,000,000	-	-	-
Members' Deposits	\$ 295,073,046	277,533,822	269,626,619	257,424,759	240,228,040
Total Assets	\$ 342,098,797	323,155,803	292,596,571	272,781,195	258,876,916
Asset Growth	5.86%	10.44%	7.26%	5.37%	4.33%
Leverage Ratio	6.01%	6.15%	4.90%	5.01%	4.75%
BIS Ratio	14.74%	14.77%	11.89%	13.63%	13.11%
Liquidity	12.22%	8.03%	8.46%	11.17%	8.52%

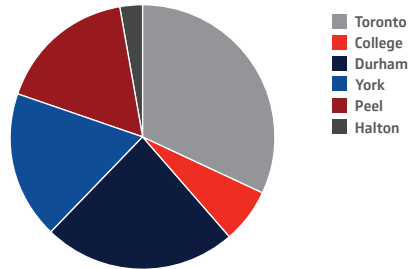
Mentions & Milestones

- Total Assets were up \$18.9 million from \$323.2 million in 2018 to \$342.1 million in 2019.
- Total Loans to members grew \$6.6 million or 2.2%. Loan loss provision charged to operations of \$26,349 in 2019 compared to recovery of prior loan write offs in 2018 of \$15,531. The loan loss provision or recovery in both years only apply to the personal loans portfolio.
- Loan request applications from members was up 4.2% compared to 2018.
- Residential mortgage portfolio grew \$2.9 million or 1.1%. Commercial mortgage and loans portfolio declined \$0.7 million and closed the year at \$4.6 million.
- Members' Deposits grew \$17.6 million or 6.3% from \$277.5 million in 2018 to \$295.1 million in 2019.
- Net Income for the year was \$890,750 versus \$672,166 in 2018.
- Members' Equity which is comprised of investment shares and undivided earnings closed the year at \$19,265,784 compared to \$18,586,228 in 2018. Investment shares balance of \$4,914,385 qualifies as equity as such was included in member's equity. Investment shares were sold to the membership in 2018 to strengthen the Credit Union's regulatory capital. Dividends were declared and paid on the investment shares in 2018 of \$21,658. In 2019, dividends were declared in the amount of \$231,500 to be paid during the first quarter of 2020
- Financial Margin (the remaining funds available after interest expense is deducted from operating revenue) grew \$303,289 from 2018. While interest expense on deposits was higher compared to 2018, interest income on loans and investment income were both higher compared to 2018 resulting in financial margin improvement.
- In 2019 we welcomed 427 new recruits as members, 302 of the new recruits became REWARDS members. In 2018, 291 new recruits joined as members, 214 of them became REWARDS members.
- Wealth Management Services - Assets under Administration grew \$2.7 million or 11.7% from \$23.4 million in 2018 to \$26.1 million in 2019

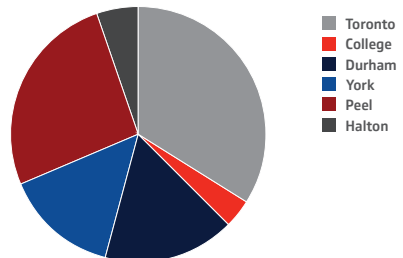
Market Penetration



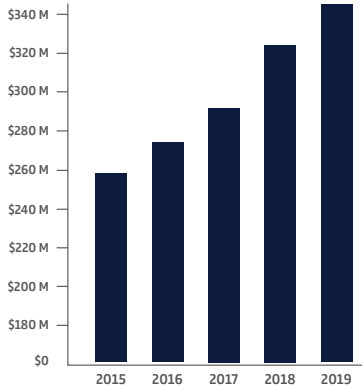
Membership by Branch



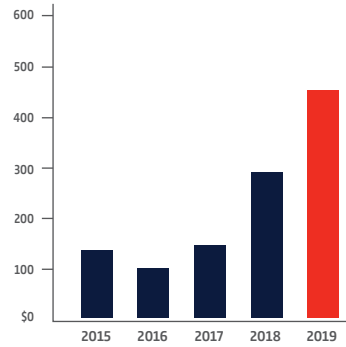
Assets by Branch



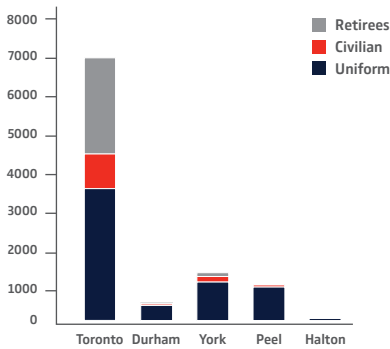
Asset Growth



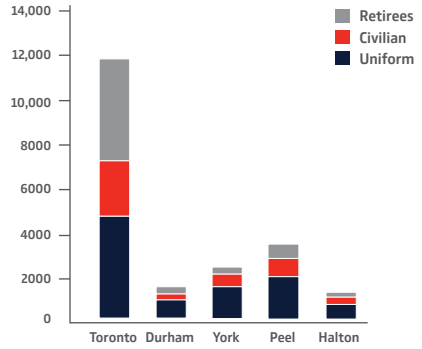
Recruit Loans



Police Services Personnel who are members



Total Police Services Personnel



Branches

Toronto

Members	3,885
Assets	\$137.6 million
Deposits	\$119.2 million
Loans	\$44.5 million

College

Members	813
Assets	\$15.1 million
Deposits	\$8.8 million
Loans	\$14.8 million

Durham

Members	2,864
Assets	\$67.2 million
Deposits	\$64.9 million
Loans	\$57.6 million

York

Members	2,189
Assets	\$59.2 million
Deposits	\$45.5 million
Loans	\$58.9 million

Peel

Members	2,056
Assets	\$106.4 million
Deposits	\$50.0 million
Loans	\$105.2 million

Halton

Members	327
Assets	\$20.4 million
Deposits	\$3.8 million
Loans	\$19.7 million

Consolidated

Members	12,134
Assets	\$405.9 million
Deposits	\$292.2 million
Loans	\$300.7 million

Community Involvement



Toronto Police Services Christmas Party



Member Appreciation Week - Toronto Draw Winner

Member Appreciation Week



YRPA Golf Tournament



Halloween Newmarket



Audit Committee Report

The Audit Committee of the Board of Directors of The Police Credit Union (TPCU) consists of four Directors and has a mandate to carry out the duties specified in the Credit Unions and Caisses Populaires Act 1994 (Act) and accompanying Regulations.

The Audit Committee is an integral part of the overall framework of corporate governance for the TPCU. In fulfilling its role, the Audit Committee encompasses four critical oversight responsibilities:

- Review of financial reporting;
- Risk management and controls;
- Audit activities; and
- Compliance activities.

In the fulfillment of these responsibilities, the Committee met six times during 2019 and performed the following duties:

- Reviewed results of our external audit provided by Jones & O'Connell LLP resulting in the recommendation to the Board to approve the 2019 Financial Statements;
- Directed the functions of our internal auditor, Rick Belsby & Associates, including review of detailed internal audit reports, recommendations, and follow-up on actions;
- Reviewed the TPCU's risk management policies and procedures and found no major areas of weakness that required mitigation;
- Reviewed reports provided by Management to ensure that the TPCU complies with the Proceeds of Crime (Money Laundering) and Terrorist Financing Act;
- Reviewed and approved Management's recommendations for short-term and long-term interest rate limits; and
- Recommended professional development and training as appropriate to ensure that Audit Committee Members and all Directors effectively fulfill their responsibilities.

The Audit Committee had the full co-operation and support of TPCU's Management team, and all significant recommendations have been or are in the process of being implemented. The Audit Committee believes there are no matters, other than those contained in the Financial Statements, that should be reported to our members or which are required to be disclosed pursuant to the Act.

This report is submitted on behalf of the Audit Committee: Stan Colley, Geri James (Chair), Mike Sharp and Bob Spafford.



Geri James
Chair, Audit Committee

Independent Auditor's Report

To the Members of The Police Credit Union Limited:

Opinion

The summary financial statements, which comprise the summary balance sheet as at December 31, 2019, the summary statement of changes in members' equity and summary statement of operations and comprehensive income for the year then ended, and related notes are derived from the audited financial statements of **The Police Credit Union** Limited for the year ended December 31, 2019.

In our opinion, the accompanying summary financial statements are a fair summary of the audited financial statements on the basis described in Note 1.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated February 24, 2020. The audited financial statements are available upon request from management.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements on the basis described in Note 1.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are a fair summary of the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards (CAS) 810, *Engagements to Report on Summary Financial Statements*.

Jones & O'Connell LLP

Jones & O'Connell LLP

Chartered Professional Accountants

Licensed Public Accountants

February 24, 2020

St. Catharines, Ontario

Financial Statements

Balance Sheet

<i>December 31</i>	2019	2018
Assets		
Cash	\$ 14,723,164	\$ 3,083,028
Investments	22,286,987	22,452,465
Loans to members	300,968,499	294,410,163
Other assets	650,477	740,205
Property and equipment	2,138,829	2,469,942
Right of use assets	1,330,841	-
	\$ 342,098,797	\$ 323,155,803
Liabilities and Members' Equity		
Members' deposits	\$ 295,073,046	\$ 277,533,822
Borrowings - liquidity	-	8,423,264
Securitization liabilities	23,051,956	15,528,196
Other current liabilities	1,231,035	1,482,523
Provisions	353,400	367,400
Lease liabilities	1,911,503	-
Membership shares qualifying as liabilities	1,212,073	1,234,370
	\$ 322,833,013	\$ 304,569,575
Members' Equity		
Investment shares qualifying as equity	4,914,385	4,894,079
Undivided earnings	14,351,399	13,692,149
	19,265,784	18,586,228
	\$ 342,098,797	\$ 323,155,803

On behalf of the Board



R. Fraser
Chair



R. Spafford
Director

Statement of Operations

<i>For the year ended December 31</i>	2019	2018
Operating Revenue		
Interest on loans	\$ 10,482,948	\$ 9,306,169
Investment income	636,008	459,514
	11,118,956	9,765,683
Interest Expense		
Interest on members' deposits	3,980,557	3,203,067
Member rebates	39,300	32,004
Interest on borrowings	118,131	226,628
Interest on securitization liabilities	619,841	246,146
	4,757,829	3,707,845
Financial Margin	6,361,127	6,057,838
Other Operating Items		
Recovery of losses on loans	\$ (26,349)	\$ 15,531
Other income	1,405,691	1,344,850
Operating Margin	\$ 7,740,469	\$ 7,418,219
Operating Expenses		
Administrative	2,347,817	2,648,645
Amortization of property and equipment	428,387	418,541
Amortization of right of use assets	225,962	-
DICO Insurance	223,741	239,488
Salaries and benefits	3,478,409	3,304,261
	6,704,316	6,610,935
Income Before Income Tax (Expense) Recovery	1,036,153	807,284
Income Tax Recovery (Expense)		
Current	(145,403)	(135,118)
Net Income and Comprehensive Income for the Year	\$ 890,750	\$ 672,166

Statement of Changes in Members' Equity

	Investment Shares Qualifying as Equity		Undivided Earnings		Members' Equity
Balance, December 31, 2017	\$ -	\$	13,041,641	\$	13,041,641
Issuance of investment shares	5,000,000		-		5,000,000
Cost of issuance of investment shares (net of amortization)	(105,921)		-		(105,921)
Dividends declared on investment shares	-		(21,658)		(21,658)
Comprehensive income	-		672,166		672,166
Balance, December 31, 2018 ¹	\$ 4,894,079	\$	13,692,149	\$	18,586,228
Cost of issuance of investment shares	(1,515)		-		(1,515)
Amortization of cost of issuance of investment shares	21,821		-		21,821
Dividends declared on investment shares	-		(231,500)		(231,500)
Comprehensive income	-		890,750		890,750
Balance, December 31, 2019	\$ 4,914,385	\$	14,351,399	\$	19,265,784

1. Basis of Presentation

These financial statements are a summary version of the audited financial statements for the year ended December 31, 2019, which have been approved for issue by the Board of Directors on February 24, 2020. A copy of the audited financial statements is available upon request from management of the credit union.

Management and the board of the credit union have determined that presentation of the credit union's summary balance sheet and summary statements of changes in members' equity, summary statement of operations and comprehensive income in these summary financial statements provides sufficient information to allow members to assess the financial position and financial performance of the credit union for the year ended December 31, 2019.

Corporate Office

Chief Executive Officer	Andy Doak
Executive Secretary	Linda Fernandes
Investment Specialist	Horst Scheibelt
Human Resources & Training Manager	Karen Zwarych
Marketing Coordinator	George Lambropolous
Member Credit Manager	Sheila Carvalho
Loans Officer	Lila Jacob
Loans Officer	Guillermo Verdesoto
Loans Administration Clerk	Roya Ghahremani
Controller	Denzil D'Mello
Network & Systems Administrator	Arvin Evangelista
Centralized Accounting/ Administration Supervisor	Sirin Patel
Accounting Clerk	Elizabeth Kunter
Centralized Administration Team Leader	Susan Proulx
Centralized Administration Clerk	Carmencita Canivel-Sibug
Centralized Administration Clerk	Kae Emila
Centralized Administration Clerk	Arlie Cruz (<i>part-time</i>)
Manager of Retail Services	Bess Kominos-Estrela
Call Centre Representative	Jennifer Seerattan
Call Centre Representative	Sandra Costanza
Call Centre Representative	Erika Richards
Call Centre Representative	Tamara Pitter

Toronto Branch

Toronto Branch Manager	Peter Giftakopoulos
Financial Services Officer	Cyndi Ghoneim
Financial Services Officer	Lianne Balasingham
Member Service Representative	Maryam Khayyam
Member Service Representative	Bernice Muradali (<i>part-time</i>)
40 College St. Branch	
Financial Services Officer	Toomas Tammark
Member Service Representative	Lisa Chu

Durham Branch

Durham Branch Manager	Anna Gomes
Financial Services Officer	Jackie McCulloch
Financial Services Officer	Cari Brothers
Senior Member	
Service Representative	Denise Lombardo
Member Service Representative	Brenda Wilson (<i>part-time</i>)

York Branch

York Branch Manager	Diane Gelinas
Financial Services Officer	Susan Van Winckle
Financial Services Officer	Lancim Mascarehas
Member Service Representative	Jeanette Wood

Peel Branch

Peel Branch Manager	Donna Aleksovski
Financial Services Officer	Katarina Rakic
Financial Services Officer	Patema Palmer
Financial Services Officer	Milena Gerić
Member Service Representative	Nelia Abdullah

Halton Branch

Member Service Representative	Erin Skinner
Member Service Representative	Nazleen Nawaz
Financial Services Officer	Kim Byers

Call Centre

1.800.561.2557
callcentre@tpcu.on.ca

Telephone Banking

1.888.434.3511

Corporate Office

222 - 105 Gordon Baker Road
Toronto, Ontario
T 416.226.3353
F 416.226.1565
tpcu.on.ca

Toronto Branches (ATM on site)

103 - 105 Gordon Baker Road
Toronto, Ontario
T 416.226.3353 / 1.800.561.2557

40 College Street, Room 101
Toronto, Ontario
T 416.961.2107

Durham Branch (ATM on site)

Unit 101B - 3000 Garden Street
Whitby, Ontario
T 905.839.2693 / 1.888.354.8728

York Branch (drive-thru ATM)

Unit 7 - 18025 Yonge Street,
Newmarket, Ontario
T 905.836.4998 / 1.877.242.8728

Peel Branch (ATM on site)

Unit 1 - 7725 Kennedy Road South
Brampton, Ontario
T 905.795.2286 / 1.866.899.8728

Halton Branch

Unit 22 - 4671 Palladium Way
Burlington, Ontario
T 289.670.1005 / 1.800.561.2557

