

2021 ANNUAL REPORT



POLICE
FEDERAL CREDIT UNION

Joint Letter from The Chairman and President

As Police Federal Credit Union navigated through 2021, we faced challenges including the ongoing COVID pandemic, and we are grateful that our employees and members answered with care, adaptability, patience and integrity. And as a result, the credit union remains remarkably strong.

Our service standards at Police FCU are performance drivers to make the member experience more significant to you. The relationship with law enforcement and their families is invaluable to us; we appreciate the opportunity to show our support for those in the law enforcement community who unselfishly serve and protect all of us. At Police FCU we don't look to 'sell' a product to improve profits or meet a quota; we seek to 'serve' by doing more for our members than they expected and or what is initially intended.

We appreciate the sacrifices police officers and their families make in our behalf as part of the larger community. Our operational goals and objectives are structured to achieve the right balance of growth and safety and soundness. Our service standards is a pledge to deliver an exceptional experience to those who chose Police FCU for their banking needs.

Police FCU closed 2021 with a year over year growth in total assets of \$10.3 million or 6.1 percent. This increase was largely a result of the decline in consumer spending and the large influx of the U.S. Government stimulus payments. Over the year, Share Deposit balances grew at a rate of 6.7 percent or \$9.7 million. Share Draft (Checking) balances increased by \$3.3 million or 19 percent from 2020. Due to the increase in deposits, the credit union's net worth declined slightly to 13.15 percent. The cost of funds declined over the past year; however, Police FCU dividend rates continue to remain prominently higher than similarly regulated financial institutions in this region. The dividend return on member deposits was double that of the national average for our peer sized credit unions in 2021 (.64% versus .32%). The rise in interest rates in the beginning in late 2021 has been in contrast to Economists' forecasts a year ago. We now are poised for a number of rate increases by the Federal Reserve through 2022 as efforts are made to head off further inflationary pressures.

Our total loan portfolio increased by just under 1 percent or \$853 thousand year over year although; real estate lending continued its growth by increasing by 9.5% or \$4.8 million in 2021. The low interest rate environment continued to propel the refinancing boom. Over \$17 million of first mortgages were closed during this past year; on par with 2020. Consumer loans paid down balances and new loan demand increased as economic conditions provided borrowing opportunities 2021. Though interest rates are expected to increase from historic lows, loan demand is expected to remain strong in Real Estate and Consumer Loans are poised to increase to pre-pandemic levels.

The sustained strong deposit increase over coupled with the tempered increases in the overall loan portfolio balances resulted in the growth of our investment portfolio by 57 percent. This excess liquidity provides us the ability to meet the anticipated borrowing needs of our members and provide higher return on investments into the coming year.

Much of the enhancements in 2021 were 'behind the scenes' committing resources to improve the technological infrastructure. These improvements continue to enhance our data security, mitigate the ever-changing risks of cyber security threats, while improving system performance. We will continue our commitment to providing improved digital and remote services to our membership into 2022 without losing the personal touch. We look forward to providing new products and services to the Police FCU membership to offer options to our members or put the control in your hands. Some of the services we are in the process of implementing or seeking solutions are Wallet Pay and Contactless Debit/Credit Cards, Virtual Notary

Services, Lease-Like Auto Loans, Value Pricing for CARFAX Reports, to name a few. Our continuing goal is to provide a variety of services to better meet the evolving financial needs of the law enforcement community and their family.

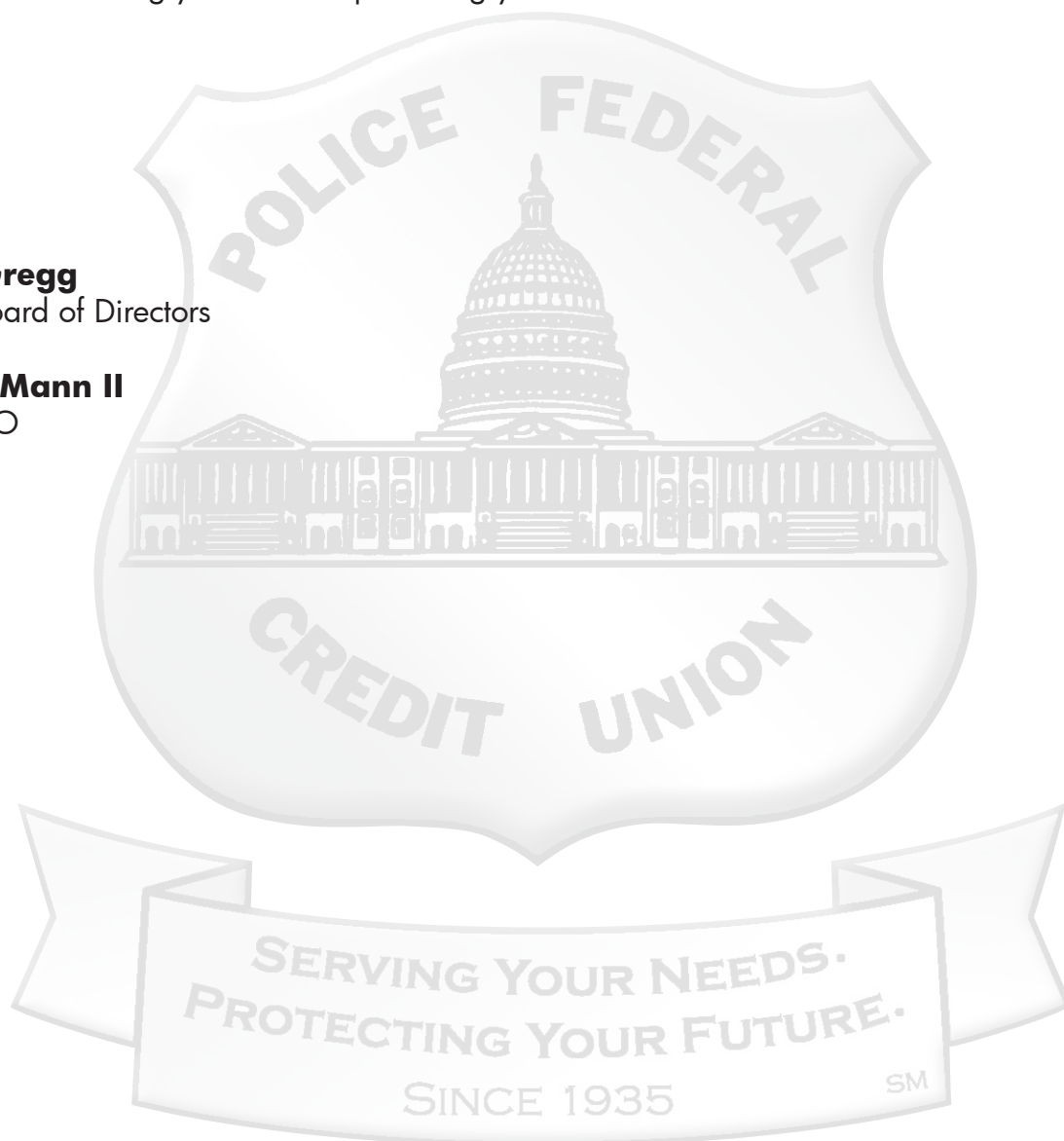
We want to thank you for selecting and entrusting Police FCU to safeguard you as your financial partner. There are many options available to you when it comes to managing your family's financial affairs and we appreciate your confidence to share that responsibility with us.

In closing, we would like to express our gratitude to our dedicated staff, management and Board of Directors for their commitment throughout this challenging year. Each of us will continue to remain true to our foundation of "serving your needs...protecting your future".

Respectfully,

Danny C. Gregg
Chairman, Board of Directors

Norman F. Mann II
President/CEO



Treasurer's Report

The Police Federal Credit Union is required to submit a comprehensive financial report to the National Credit Union Administration (NCUA) following the closeout of each quarter of a calendar year. The NCUA uses these financial reports to compare the performance of credit unions in relationship to industry standards and the credit union's respective asset-sized peer groups. I am once again proud to report that Police FCU ended 2020 with a net worth ratio to total assets well above the regulatory requirement of 6.00 percent. At year-end, the net worth of Police FCU represents a 13.15 percent of total assets thereby once again earning the distinction of a "well capitalized" financial institution.

Police FCU ended 2021 with total shares at \$154,125,000; total loans at \$103,752,000, (with an allowance for future loan losses at \$1,520,000); and total investments at \$43,713,000. Police FCU ended 2021 with over \$178 million in assets. Our net income for 2021 was \$735,595, and our reserves and undivided earnings was a very strong \$23,430,000.

The Police FCU loan portfolio experienced a .88 percent increase over the prior year fueled by strong real estate loan demand. The Federal Reserve Bank held interest rates unchanged throughout 2021 at all-time lows. Throughout 2021, the yield on the loan portfolio continued the previous year's trend with the run-off of seasoned loans replaced by loans with lower interest rates throughout 2021. This low borrowing rate environment stimulated an increased demand in consumer loans. Consumer confidence continued to waver due to the ongoing effects of COVID-19 on the economy and the increasing signs of inflation toward the end of 2021 and expected rate increases in 2022.

At year-end, our cost of funds (dividends paid) to average assets was 0.64 percent whereas the national average of our peer group paid 0.32 percent. The additional 32 basis points paid to the Police FCU membership, in the form of dividends, is about \$478,000. Despite a higher cost of funds, Police FCU's overall net operating expense to average asset ratio was 2.80 percent, well below peer group of credit unions that registered a net operating expense of 3.26 percent.

Herein are just a few of the indicators the Board of Directors review regularly to discern how Police FCU is performing in relationship to similarly asset-sized financial institutions. The Board of Directors is unrelenting when it comes to a sound balance sheet and a net worth well above regulatory requirement. Our collective commitment to these fundamental principles is what supports the efforts to make Police FCU stand out from among its peers.

(The accompanying figures and charts will provide you with a snapshot of your credit union's performance for the year 2021.)

Respectfully Submitted,

Alfonza Kelly

Treasurer, Board of Directors

Supervisory Committee Report

The Supervisory Committee, created under the Federal Credit Union Act and appointed by the Board of Directors, operates independently on behalf of Police Federal Credit Union members to assure the financial integrity of the credit union. The Committee is responsible for ensuring credit union compliance with the Credit Union Act, the Credit Union bylaws and related policies and procedures, and the regulations of the National Credit Union Administration. In addition, the Supervisory Committee serves as your representative and the official auditor of Police Federal Credit Union.

One of the primary duties of the Supervisory Committee is to ensure an independent financial audit and a verification of member accounts are completed annually. To fulfill this obligation, the Supervisory Committee in 2021 contracted with the auditing firm of CliftonLarsonAllen to perform financial audits in accordance with generally accepted accounting standards. At the writing of this report, CliftonLarsonAllen's financial audit is in progress and has not been completed.

Along with the Board of Directors, our mutual goal is for all Police FCU members to receive quality service in a professional manner. The credit union's service standards serve as a benchmark to which you can measure staff performance. *Should you find an error or experience a problem of any kind with your financial statements or with services provided to you by the credit union or its staff, we encourage you to write to the Supervisory Committee at the following address:*

Supervisory Committee
P.O. Box 471293
District Heights, MD 20747

The Committee appreciates the cooperation and support of management and staff during the past year, and we look forward to continuing our work on behalf of the membership in 2022.

Respectfully Submitted,

George Hill, II
Chairman, Supervisory Committee

SERVING YOUR NEEDS.
PROTECTING YOUR FUTURE.
SINCE 1935

SM

POLICE FEDERAL CREDIT UNION
STATEMENT OF FINANCIAL CONDITION
Ending December 31st (Unaudited)

Assets:	2021	2020
Cash	\$ 15,125,971	\$ 22,311,552
Loans (net of Allowance for Loan Loss)	102,231,796	101,390,436
Investments	43,712,521	27,753,211
Accrued Interest Receivable	311,965	232,301
Fixed Assets	6,671,607	6,800,536
Accrued Income & Other Assets	8,668,153	8,398,491
NCUA SIF	\$ 1,409,500	\$ 1,300,986
Total Assets:	\$ 178,131,513	\$ 168,187,514

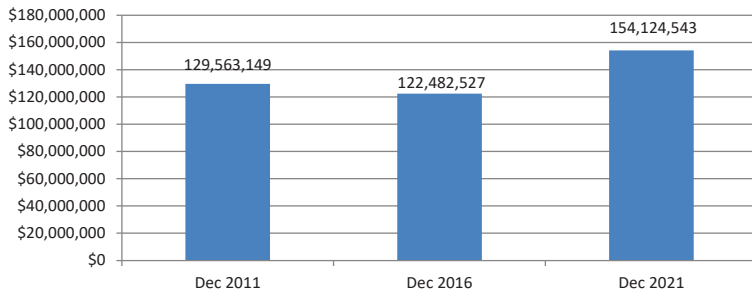
Liabilities & Equity:

Accounts Payable/Other	\$ 653,192	\$ 734,249
Dividends Payable	79,103	111,238
Regular/Draft Shares/CD/Money Market Funds	154,124,543	144,399,775
Reserve	3,707,139	3,707,139
Undivided Earnings	19,722,692	18,987,098
Accumulated Unrealized Gain/(Loss)	(155,156)	248,015
Total Liabilities & Equity:	\$ 178,131,513	\$ 168,187,514

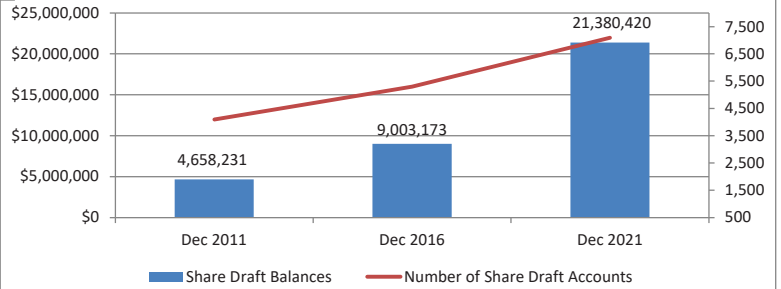
Income & Expenditures:

Operating Income	\$ 6,759,066	\$ 6,921,378
Dividends Paid & Interest on Borrowed Money	(1,106,185)	(1,426,871)
Operating Expense	(4,855,456)	(4,840,231)
Provision for Loan Losses	(104,188)	(300,346)
Net Income/(Loss) After Non Operating Income and NCUSIF/TCCUSF Premium Assessments	\$ 693,237	\$ 353,930
Non Operating Income	\$ 42,358	\$ 379,154
Net Income/(Loss) After Non Operating Income and NCUSIF/TCCUSF Premium Assessments	\$ 735,595	\$ 733,084
NCUSIF/TCCUSF Premium Assessment	\$ -	\$ -
Net Income/(Loss):	\$ 735,595	\$ 733,084

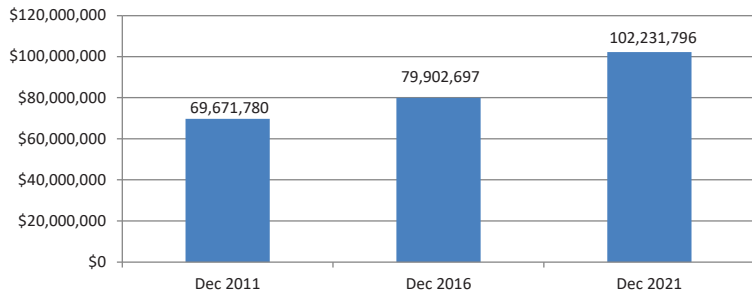
Shares



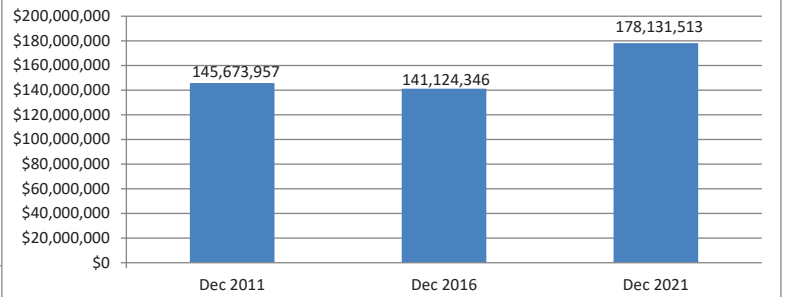
Share Draft (Checking)



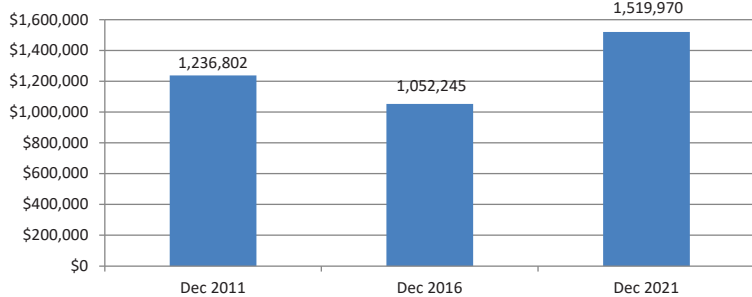
Loans



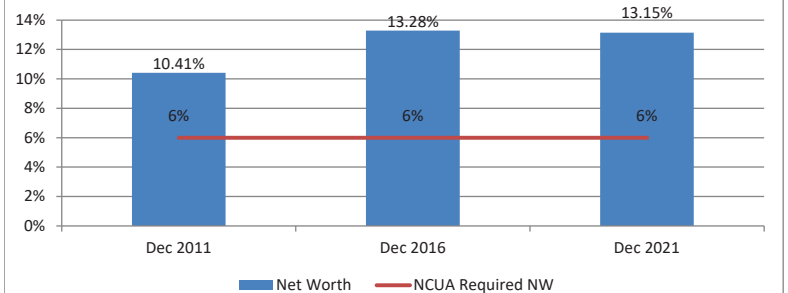
Assets



Provision for Loan Losses



Net Worth



POLICE FEDERAL CREDIT UNION

2022 Board of Directors and Committee Members

BOARD OF DIRECTORS

Danny C. Gregg, Chairman
Robert V. Boggs, Vice Chairman
Alfonza Kelly, Treasurer
Anthony J. Medoro, Secretary
Henry C. Banks, Director
Junis T. Fletcher, Director
George Hill, II, Director
Joseph C. Akers, Director Emeritus
Clay W. Goldston, Director Emeritus
Gary W. Hankins, Director Emeritus

LOAN REVIEW COMMITTEE

(appointed by Board of Directors)

Jenny McIntire, Chair
Stanley Organ, Member
Robert Short, Member

SUPERVISORY COMMITTEE

(appointed by Board of Directors)

George Hill, II, Chairman
Will Goodwin, Member
Kevin O'Bryant, Member
Ronald Oliver, Jr., Member

PRESIDENT/CHIEF EXECUTIVE OFFICER

Norman F. Mann II

Headquarters and Branch

9100 Presidential Parkway
Upper Marlboro, MD 20772

Downtown DC Branch

300 Indiana Avenue NW, #4067
Washington, DC 20001

Metropolitan Police Academy Branch

4665 Blue Plains Dr. SW
Washington, DC 20032

Telephone: 301-817-1200
Toll-Free: 877-ARU-PFCU
Website: www.policefcu.com



Serving Your Needs. Protecting Your Future.

