



THE POLICE
CREDIT UNION



ANNUAL REPORT 2023

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MESSAGE FROM THE CHAIR & CEO

On behalf of the Board of Directors of the Police Credit Union, we are pleased to report our results for 2023. This year was not without its challenges as loans, deposits, and total assets all decreased from 2022 levels. Nonetheless, profit before taxes was \$521 thousand while on-balance sheet assets finished at \$374.3 million, a slight decrease from the previous year’s results of \$375.7 million.

Results were impacted by increased interest rates, strong competition from banks and other financial institutions, the announcement by the Ontario Government to fund tuition for basic constable training at the Ontario Police College and the resulting loss of recruit loan opportunities, cyber security risks, changing technologies and increasing regulatory requirements. However, despite the challenges, our dedicated Management and Staff continued to help members achieve their financial goals by providing excellent service, competitive deposit and loan rates, and customized support and advice.

TAKING CARE OF OUR OWN

The Police Credit Union is the financial institution of choice for over 12,400 Civilians, Uniform and Senior Officers, Police Associations, and their families throughout Ontario. We are truly proud of the way our Credit Union understands the unique needs of the policing community and provides financial solutions to meet those needs. In addition to meeting the financial needs of members, our Credit Union continued to provide support to the policing community, including scholarships for students of members, support of local police service and associations initiatives and contributions to the Ontario Police Memorial Fund.

ACKNOWLEDGMENTS

We are very fortunate to have a dedicated group of Directors, each of whom has their own unique abilities and skillsets, to represent the interests of our members. Our Board of Directors continues to support Credit Union initiatives with good governance and stewardship of our Credit Union activities.

Thank you to our Senior Management team for your hard work, dedication, and support throughout this past year.

To our wonderful staff, we would like to express our sincere appreciation and gratitude for the work you do in support of our membership and the contributions you make to ensure The Police Credit Union is the successful organization it is.

Lastly, but most importantly, thank you to the membership for your continued support, loyalty, and trust in our Police Credit Union. Our Credit Union could not have achieved its success without you, our valued members. We hope that our collective efforts show you that we “take care of our own”.



Geri James
Chair, Board of Directors

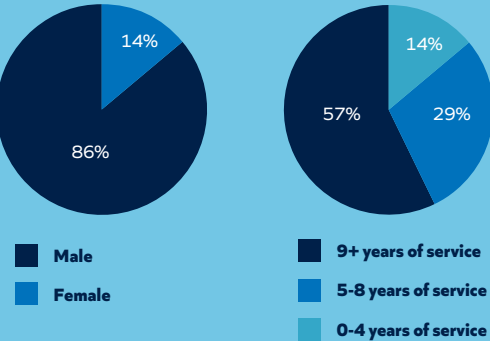


Andy Doak
Chief Executive Officer

Board Governance and Oversight remains strong. The Board of Directors of the Police Credit Union is comprised of seven Directors, elected by its members.

BOARD OF DIRECTORS

From top to bottom:
Geri James (Chair), Mike Sharp (Vice-Chair), Gary Leitch, George Tucker, Rob Todd, Rod Fraser, Stan Colley



BOARD GOVERNANCE & OVERSIGHT

The Board is responsible for providing oversight, supervision and direction to Management and is responsible for ensuring that our Credit Union operates in a safe and prudent manner and adheres to the standards of sound business and financial practices as required by our regulator, the Financial Services Regulatory Authority of Ontario (FSRA). FSRA regulates the Credit Union sector in Ontario and provides deposit insurance and prudential oversight.

Working closely with our CEO and Senior Management in 2023, the oversight and governance activities of the Board included:

- Monitoring and ensuring appropriate and effective governance of our Credit Union;
- Establishing policies;
- Establishing strategic direction and performance expectations;
- Overseeing and approving plans related to capital and liquidity;
- Delegating authority to and assessing the performance of our Chief Executive Officer;
- Monitoring financial performance and approving financial plans and budgets; and
- Communicating with Members and providing leadership by supporting and promoting the Police Credit Union.

BOARD ACTIVITIES

The Board conducts its work through regular Board meetings and met eight times during 2023. The Board also delegates its powers and authorities to several Committees for efficiency and to ensure that specific responsibilities are managed with applicable expertise. These Committees include Audit (5 meetings), Enterprise Risk Management (4 meetings), Governance, Policy, Nominating, and Scholarship Committees which meet regularly and/or as required. The Board nominates and approves a Director to chair each Committee.

The Board also holds an annual strategic planning meeting with Senior Management to review and approve the strategic direction of the Credit Union and ensure it remains relevant in

supporting our members. After this meeting, the Board approves the annual budget and key performance objectives (using a “balanced scorecard” approach) for the Credit Union.

In addition to the above meetings, Directors also participated in other committee meetings including the Governance Committee, Policy Committee, Nominating Committee, and Scholarship Committee. Directors also participated in Credit Union Conferences including the 2023 Directors’ Forum.

BOARD TRAINING AND DEVELOPMENT

Directors commit to ongoing training and development, supported by a Board-approved budget. Each year, the Governance Committee initiates a peer review process to assess the skills and competencies of each Director and to facilitate the creation of personal training plans to address any competency gaps. The Governance Committee tracks each Director’s achievement towards their training plan and reports results to the Board.

All Directors who have served on the Board for more than one term (3 years) have completed the CuSource Credit Union Director Achievement program and one Director has earned the Accredited Canadian Credit Union Director designation, awarded jointly by Dalhousie University and the Credit Union Institute of Canada.

BOARD CHARACTERISTICS

The Board of Directors recognizes the benefits of Board diversity and aims to maintain a Board comprised of talented and dedicated Directors with a diverse mixture of experience, skills, and backgrounds reflective of the Credit Union’s membership.

OUR YEAR IN REVIEW

The Bank of Canada (BOC) carried its fight against inflation into 2023 as it further raised interest rates from 4.25% for the overnight rate finishing at 5.00% marking the 10th interest rate hike since 2021. Previously, the BOC held the overnight rate for two years at .25% during the Covid 19 pandemic.

Responding to the BOC rate increases, Canada's Consumer Price Index(CPI) inflation slowed and finished the year at 3.4% compared with a 6.7% CPI for 2022. Inflation is expected to remain close to 3% during the first half of 2024 before gradually easing to a target level of 2% in 2025.

Home owners, with variable rate mortgages continued to feel the effects of the BOC rate increases with increased borrowing costs while fixed rate mortgage holders experienced similar increased borrowing costs when renewing their fixed term mortgages throughout the year. Members would not have experienced mortgage rates this high since 2008. Meanwhile, depositors were pleased as deposit rates increased and positively impacted maturing investments throughout the year.

In April, the Ontario Government announced their intentions to make it easier for police services across the province to recruit and train more police officers by covering 100% of the tuition cost for the Basic Constable Training program at the Ontario Police College (OPC) and immediately expanding the number of recruits that can be trained each year. This new pilot program is planned to remain in place for the next three years and will impact the success of the Credit Union's Recruit Loan program which has been in place since 1996.

Even with mortgage interest rate increases, a slowing economy, and a volatile housing market there was little or no impact on our lending portfolios. Our delinquency ratios remain well below industry averages.

Despite these challenges presented to us during 2023, overall results were positive as Net Income before taxes was of \$521,046 and on-balance sheet assets finished at \$374.3 million.

Members who have invested in TPCU Class B Shares – Series 1 received a dividend of 6.26%, the total dividend paid was \$313,000 and was completed in February of 2024.

STRATEGIC INITIATIVES

Our strategic initiatives are focused on providing our members with the latest in technology driven banking solutions and services.

During 2023, additional work was completed on our digitization roadmap as our team made up of Senior management, our branch staff and our IT department completed a successful third quarter launch of Forge 2.0, our on-line banking, and mobile platforms. With the introduction of these platforms members now have access to the latest intuitive features available in the market. During 2024, plans are in place to enhance security protocols as we look to launch Two Factor Authentication for these platforms.

Work continued on our remote account opening and loan application platforms. Known internally as ASAPP, this fully integrated Loans Origination and Account Opening platform provides a streamlined process for on-boarding new members and processing loan applications both in-branch and remotely. Several enhancements were made to the platform this year with all our loan products now available

(except mortgages) on-line and several deposit products were launched including RRSP, TFSA and Term deposits will be added to the platform during 2024 while mortgage applications remain further down the road.

A new First Home Savings Account (FHSA) was launched in December. A FHSA integrates key benefits from both RRSPs and Tax-Free Savings Accounts. This means your contributions are generally deductible on your income tax return and when withdrawn to purchase your first home, the amount is exempt from taxation.

A new Civilian loan was made available in 2023 for newly hired civilians employed with a police service in the province of Ontario on a full time permanent basis. Flexible terms are available at a preferred rate of interest. Civilians may also apply for a Collabria Mastercard, personal line of credit and overdraft protection.

In January of 2024, Members will be provided a new level of engagement with The Police Credit Union through our new social media presence by connecting with us on Instagram, Facebook, or X. Here members will be provided

with the latest product developments, announcements, and campaigns.

MARKET CONDUCT CODE

The Credit Union continued with the adoption of a code of market conduct including training on related policies, practices, and procedures.

The Code recognizes the best practice principles we pledge to follow for soliciting, promoting, advertising, marketing, selling, or distributing our products or services. The Code demonstrates our commitment to the fair treatment of all those who use our services. We believe in fair sales practices, comprehensive access to banking services, transparency and openness, and a reasonable approach to settling complaints. Individuals are entitled to the best possible care of their financial interests. We respect all our provincial regulatory obligations, and continually practice absolute excellence in consumer protection.

OPERATIONS

Operations at the Credit Union's branches remained steady throughout the year with walk in traffic at normal levels for each location. In October, we celebrated International Credit Union Day. We take this time to acknowledge the cooperative movement and to recognize you... our members!

Branch operational hours continue to operate M-F 10-4 with our College Branch operating 8- 4:30 to best meet the need of members located at or near Toronto Police Headquarters. The hours are best aligned to ensure key tasks are completed for our members in a timely and efficient manner.

Operations are supported by our Member Solutions Centre who are available to assist members with their varied inquiries and needs. The Member Solutions Team operates M-F 9-5 and Saturday 10-3. Additional technical support is available 24 hours a day providing assistance to members with online or mobile banking needs and respond to fraud concerns.

Our wealth management team expanded to two dedicated investment specialists during 2023, providing members with sound investment advice and financial plans. With access to mutual funds, exchange traded funds, and managed stock and bond portfolios, members have a variety of different investment options available to them.

In our efforts to ensure cost effective services for our

members, the permanent closure of several ATMs was completed during October and include YRP Headquarters, TPS 23 Division, TPSTraffic Services. The ATM at the Toronto Police College was removed from service in April. Members who access these machines were provided directions to the nearest alternate Exchange ATM.

SERVING POLICE COMMUNITIES THROUGHOUT ONTARIO

"Serving Police Communities in Ontario" is more realistic today than it ever has been in the past thanks to the digitization of financial services. Geographical boundary limitations have been reduced or eliminated now that members and perspective members have access to on-line banking services and can manage account openings and make loan applications from the comfort of their homes.

We are incredibly grateful to the mutually beneficial relationships we have in place with the many police services and their associations we have served throughout our history. This year we developed new relationships with Waterloo, and deepened our relationships with Brantford Police Service, and Niagara Police Association.

CORE POLICE COMMUNITIES

Most of our members are employed by one of our Core Police Communities from the Toronto Police Service, Peel Regional Police Service, York Regional Police Service, Durham Regional Police Service or Halton Regional Police Service.

Branch managers and their staff have been active in their respective core policing communities developing and fostering relationships and providing support to the various activities and initiatives provided by each service. Our aim is to position The Police Credit Union as being an integral part of the policing community.

RECRUITS

Even though the Ontario Government announced it's intention to cover 100% of the tuition cost for the Basic Constable Training program at the Ontario Police College (OPC), we confirmed our dedication to new police recruits and continued to find alternative ways to support recruits in their transition from school or existing career into their new career in policing. We understand that new recruits may have additional expenses while attending OPC and may be taking a reduction in pay. This loan will assist them financially

through that transition.

Recruits may apply for a loan at a low rate of interest, repayable over five years and the loan is open to pay off in full anytime. A Collabria Mastercard, personal line of credit, and overdraft protection is also available.

We have a dedicated Financial Services Officer at OPC who is available during the evenings to assist recruits four days a week. Assistance is provided for a number of financial needs, from banking transactions, to loans, mortgages, and investments. Recruits have appreciated the support provided right on site at OPC during hours convenient to them.

This year, 121 new recruits joined The Police Credit Union, and 106 (87.6%) recruits joined the REWARDS program. Joining the recruit REWARDS program offers several benefits including preferred rates, and new chequing account options. Each recruit is eligible for a full financial review to identify opportunities and suggest important next steps to improve financial well-being.

| | 2023 | 2022 | 2021 |
|---------|------|------|------|
| Rewards | 106 | 268 | 169 |
| Regular | 15 | 96 | 62 |
| Total | 121 | 364 | 231 |

We are proud to report that throughout the history of the program, we have assisted 6,492 recruits with their dream of becoming a police officer.

MEMBERSHIP

This year, we welcomed 591 new members which brings our total active membership base to 12,459.

| | | | |
|---------|--------|--------|--------|
| New | 591 | 639 | 475 |
| Closed | 449 | 370 | 400 |
| Members | 12,459 | 12,317 | 12,048 |
| Net | 152 | 269 | 75 |

MEMBERSHIP SERVICE, ENGAGEMENT,
AND FINANCIAL CHECK UP

“Taking care of our own” through delivering an excellent member experience is one of our goals that we strive to meet everyday.

Our team of staff work tirelessly to meet these standards by assisting our members with their banking needs, setting up new banking options, and where necessary, finding new and creative ways to assist our members.

Our Financial Service Officers and Branch Managers provide advice to members by looking at their overall financial well-being. This includes a financial checkup to identify members’ financial needs, both short and long-term, and to ensure their decisions meet their financial needs and goals.

EMPLOYEE ENGAGEMENT

Our Credit Union continues to measure and assess our employees’ satisfaction with their roles and in the pride, they feel towards the organization through an annual Employee Engagement Survey. Positive results produce high levels of performance and improve the organization’s overall results.

The results are analysed and compared to the results from the previous year’s survey to ensure that areas noted as strengths continue and those deemed below-standards, that are within our control, have a plan developed for improvement.

Year over year, we continue to meet and exceed the desired satisfaction. The Police Credit Union became a certified member of the Ontario Living Wage Network (OLWN) program this year. The Ontario Living Wage Network (OLWN) was formed in 2014. The OLWN grew to include hundreds of certified living wage employers across 27 regions, (approximately 525 Living Wage Employers in the province) The living wage reflects what people need to earn to cover the actual costs (food ,shelter, transportation, medical expenses, etc.) of living in their community. The living wage draws on community-specific data to determine the expenses to a family with two working adults and two children. Living wage employers voluntarily decide to pay a living wage and maintain their certification as new rates are calculated for their area each November.

STAFF DEVELOPMENT

We continue to offer on-going training and development opportunities for both our employees and Directors, through our national training partners, CCUA Campus and CU Training. All new Credit Union employees follow an on-boarding process and training plan (for each position) to ensure success in their new role. Training continues on operational procedures and compliance, ensuring consistency among our staff while keeping updated on important industry changes. All new staff follow regular periods of review and assessment, both of which are designed to ensure the manager and new hire are progressing and developing according to plan.

We complete an annual review for our employees and Directors to ensure compliance for both the Market Conduct Code and the Credit Union’s Code of Conduct and Ethics.

As part of the annual performance appraisal process, individual education plans are designed for staff. The Managers work with their direct reports to select educational courses that will assist in their development and enhance their skills and abilities.

All of these development programs are designed to ensure we are supporting our greatest assets, – our employees.

INTO THE FUTURE

As we enter our 78th year of providing financial services to our policing communities, we will continue to plan for safe organic growth by offering our best prices on our products and services, seek out and introduce new product offerings, and ensure our members have access to the latest banking technologies.

We will welcome new members and increase our membership base by continuing to provide funding for new recruits and explore outreach opportunities to civilian hires (and their respective families) of Police Services in the province. We will continue to nurture existing relationships with our Core Police Services and Police Associations while at the same time exploring new relationships with other Police Services and their employees within the province of Ontario.

SENIOR MANAGEMENT TEAM



Top row, L to R: Andy Doak, Chief Executive Officer; Amal Fernando, Controller
Bottom row, L to R: Karen Zwarych, Human Resources & Training Manager; Sheila Carvalho, Member Credit Manager; Bess Kominos-Estrela, Manager of Retail Services

| | |
|--|--------------------------|
| Chief Executive Officer | Andy Doak |
| Investment Advisor | Rob Hubbard |
| Investment Specialist | Maryam Khayyam |
| Human Resources/Administration Coordinator | Karen Zwarych |
| Marketing Coordinator | George Lambropoulos |
| Member Credit Manager | Sheila Carvalho |
| Loans Officer | Rajarshi Konar |
| Loans Officer | Guillermo Verdesoto |
| Loans Administration | Elizabeth Kunter |
| Controller | Amal Fernando |
| Network & Systems Administrator | Arvin Evangelista |
| Centralized Accounting/Administration Supervisor | Sirin Patel |
| Accounting Clerk | Susan Proulx |
| Centralized Administration Clerk | Carmencita Canivel-Sibug |
| Centralized Administration Clerk | Michelle De Guzman |
| Centralized Administration Clerk (Contract) | Arlie Cruz |
| Manager of Retail Services | Bess Kominos-Estrela |
| Member Solutions Representative (on leave) | Jennifer Seerattan |
| Member Solutions Representative | Sandra Costanza |
| Member Solutions Representative | Erika Richards |
| Member Solutions Representative | Tamara Pitter |
| Toronto Branch - Manager & College Branch | Peter Giftakopoulos |
| Financial Services Officer | Cyndi Ghoneim |
| Financial Services Officer | Lianne Balasingham |
| Member Service Representative | Ellen Muirhead |
| 40 College St. Branch | |
| Financial Services Officer | Roya Ghahremani |
| Durham Branch - Manager (on leave) | Anna Gomes |
| Branch Manager (contract) | Lila Jacob |
| Financial Services Officer | Jackie McCulloch |
| Financial Services Officer | Cari Brothers |
| Member Service Representative | Denise Lombardo |
| Member Service Representative (part-time) | Heather Bastien |
| York Branch - Manager | Diane Gelinas |
| Financial Services Officer | Jeanette Wood |
| Financial Services Officer | George Jonoski |
| Member Service Representative | Natassia Piacampo |
| Peel Branch Manager & Halton Branch | Donna Aleksovski |
| Financial Services Officer | Katarina Rakic |
| Financial Services Officer | Patema Palmer |
| Financial Services Officer | Nelia Abdullah |
| Member Service Representative | Mirjana Cotra |
| Halton Branch | |
| Financial Services Officer | Nichole Graczyk |
| Financial Services Officer | Vince Sacino |
| Ontario Police College | |
| Financial Services Officer | Sherri Wiebe |

COMPARATIVE HIGHLIGHTS

| <i>Years ended December 31</i> | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|----------------|-------------|-------------|-------------|-------------|
| Operating Revenue | \$ 13,706,000 | 10,806,929 | 10,290,732 | 10,740,261 | 11,118,956 |
| Interest on Members' Deposits | | | | | |
| - amount | \$ 6,388,189 | 3,509,901 | 2,891,084 | 3,779,753 | 3,980,557 |
| - percent | 46.6% | 32.5% | 28.1% | 35.2% | 35.8% |
| Financial Margin | | | | | |
| - amount | \$ 6,910,834 | 7,102,249 | 6,906,977 | 6,287,542 | 6,361,127 |
| - percent | 50.4% | 65.7% | 67.1% | 58.5% | 57.2% |
| Comprehensive Income | | | | | |
| - amount | \$ 821,813 | 575,280 | 796,457 | 687,710 | 890,750 |
| - percent | 6.0% | 5.3% | 7.7% | 6.4% | 8.0% |
| Loans to Members | \$ 332,007,572 | 335,638,018 | 321,253,994 | 308,927,110 | 300,968,499 |
| Membership Shares | \$ 1,238,588 | 1,228,870 | 1,204,129 | 1,196,107 | 1,212,073 |
| Investment Shares (Gross amount) | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| Members' Deposits | \$ 339,048,531 | 346,006,002 | 337,620,354 | 317,682,529 | 295,073,046 |
| Total Assets | \$ 374,259,258 | 375,720,527 | 369,326,218 | 356,559,405 | 342,098,797 |
| Asset Growth | -0.39% | 1.73% | 3.58% | 4.23% | 5.86% |
| Leverage Ratio | 5.46% | 5.30% | 5.87% | 5.90% | 6.01% |
| Capital Ratio | 14.34% | 13.95% | 13.88% | 14.53% | 14.74% |
| Liquidity | 10.92% | 10.22% | 12.53% | 13.52% | 12.22% |

FINANCIAL FOCUS

Bank of Canada has in the year 2023 increased its benchmark rate by 75 points in aggregate following on from 2022 of a 400-basis point increase to curb inflation. This has resulted in tightening of credit in the economy and a further increase in the cost of funds. The financial sector, including the Credit Union, continues to manage and mitigate interest rate risks. It has taken a long-term approach to managing its balance sheet as it expects a general pause or rate cuts in 2024 by the Bank of Canada as market expectations have solidified around interest rate cuts.

In this transition year total assets declined marginally by \$1.4 million compared to the previous year.

Total loans to members declined by \$3.6 million or 1.08% from \$335.5 million in 2022 to \$331.8 million in 2023. Residential mortgages contracted by \$6.1 million or 1.98%. This deceleration in loan and mortgage growth is primarily due to the rapid interest rate hikes by the Bank of Canada as Canadian households face record levels of real estate debt. Personal loans portfolio grew by \$2.5 million or 10.9% relating to increased car loan activity in 2023 compared to 2022.

See below for the growth in the deposit portfolio this year

| millions | 2023 | 2022 | change |
|------------|----------|----------|-----------|
| Demand | \$133.50 | \$144.80 | -\$ 11.30 |
| Term | \$102.30 | \$106.40 | -\$ 4.10 |
| Registered | \$100.00 | \$92.80 | \$ 7.20 |
| Total | \$335.80 | \$344.00 | -\$ 8.20 |

Assets under administration from our off-balance sheet Wealth Management services ended the year at \$28.5 million, up \$1.0 million or 3.7% from 2022.

Total assets including off- balance sheet wealth administered assets was down marginally by \$0.5 million or 0.1%. Assets managed by the Credit Union declined by \$1.5 million or 0.4% compared to 2022. Total assets were \$374.3 million in 2023 compared to \$375.7 million in 2022.

Operating revenues, which include interest income earned on loans and investments, grew by \$2.9 million or 26.83%. Income earned from investments was higher than the prior year as yields on investments were higher, combined with lower borrowing costs contributed to the increase in operating revenues.

Interest expense on member’s deposits was higher compared to 2022 by \$2.9 million or 82% mainly due to the effect of repricing of the deposit portfolio in response to the prime interest rate increases throughout 2022 and 2023.

The financial margin for the Credit Union was \$192 thousand lower compared to the prior year. Pressures on financial margins from the repricing of the deposit liabilities causing a higher interest expense were offset by the repricing of the Credit Union’s asset portfolio.

Provision on loan losses has always been low compared to the size of the loan portfolio. Other income grew by \$47 thousand in 2023 to \$1.3 million.

Operating expenses increased \$265 thousand in 2023, at a run rate of 3.65%. The increase was across all operating expenditure lines. Salaries and benefits which are included in the increase were up \$116 thousand at a rate of 3.07% compared with 2022.

LOAN REPORT

Total loans advanced and lines approved to members decreased \$42 million from just over \$93 million in 2022 to just over \$54 million in 2023. Although personal loan numbers increased due to higher car loan activity, mortgage volumes were down due to market conditions driven mostly from a volatile housing market and an increased rate environment. Recruit loans also decreased due to the Ontario government now covering tuition for police recruits to attend the Ontario Police College.

Total loans to members were \$331,830 million, a decrease of 1.1% over the previous year when loans to members totalled \$335,495 million.

During the year, the loan loss allowance increased from \$138,320 in 2022 to \$156,140 in 2023. Recoveries on loans previously written-off was \$1,030. Loan write-offs during the year amounted to \$78,930. Five members filed for Consumer Proposal or Bankruptcy in 2023.

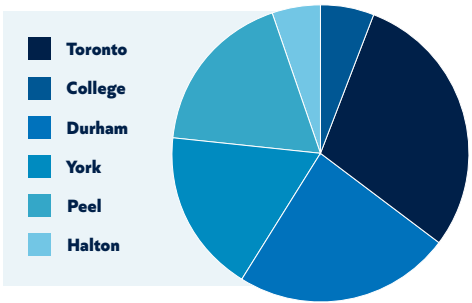
TOTAL LENDING ACTIVITY

| | 2023 | | 2022 | |
|--------------------------|--------|------------|--------|------------|
| | Number | \$ Amount | Number | \$ Amount |
| Personal | | | | |
| Personal Loans | 420 | 9,889,400 | 480 | 10,496,105 |
| Lines of Credit | 134 | 8,927,655 | 201 | 13,928,278 |
| Mortgages | 102 | 35,327,164 | 189 | 68,717,425 |
| Total | 656 | 54,144,219 | 870 | 93,141,808 |
| Total Loans Not Approved | 75 | 4,692,028 | 75 | 4,291,739 |
| Total above | 731 | 58,836,247 | 945 | 97,433,547 |
| Loan Allowance | | | | |
| Specific | 10 | 95,855 | 10 | 78,078 |
| General Collective | | | | |
| Allowance Stage 1 & 2 | 0 | 60,286 | 0 | 54,910 |
| Total above | 10 | 156,140 | 10 | 132,987 |

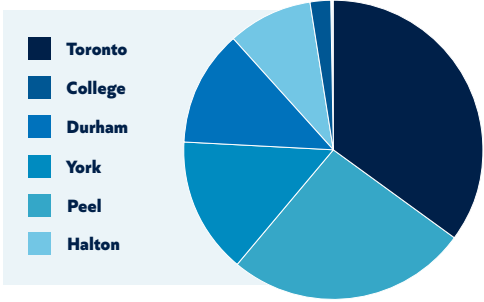
Mentions and Milestones

- **Total Assets** were down \$1.4 million from \$375.7 million in 2022 to \$374.3 million in 2023.
- **Total Loans** to members reduced by \$3.6 million or 1.08%. Personal loans provision charged to operations was \$95,720, recoveries on loans previously written off was \$1,030 and loans written off during the year was \$78,930. The allowance balance for impaired personal loans grew from \$138,320 in 2022 to \$156,140 in 2023.
- **Residential mortgage** portfolio reduced by \$6.1 million or 1.9%. Personal loans portfolio grew 10.9% from \$23.2 million in 2022 to \$25.7 million in 2023.
- **Members’ Deposits** reduced \$6.9 million or 2.0% from \$346.0 million in 2022 to \$339.0 million in 2023.
- **Members’ Equity** which is comprised of investment shares, undivided earnings and accumulated other comprehensive loss closed the year at \$20,770,356 compared to \$20,741,466 in 2022. Investment shares qualifies as equity as such was included in member’s equity with a closing balance of \$4,500,000. Investment shares were sold to the membership in 2018 to strengthen the Credit Union’s regulatory capital. Dividends were declared and paid each year on the investment shares from 2019 to 2023.
- **Financial Margin** decreased \$191,415 or 2.7% from 2022. Operating revenue in 2023 was higher by \$2,899,071 compared to 2022. Interest expenses were higher by \$3,090,486 compared to 2022.
- **Comprehensive income** for 2023 was \$821,813 compared with \$575,280 in 2022.
- In 2023 **we welcomed 121 new recruits as members**, 106 of the new recruits became REWARDS members. In 2022 364 new recruits joined as members of which 268 became REWARDS members. In 2023 the Credit Union also launched a new loan product, namely “civilian loans”, and approved 55 new loans of which 49 became REWARD members.
- **Wealth Management Services** – Assets under Administration increased by \$1.0 million or 3.7% from \$27.5 million in 2022 to \$28.5 million in 2023.

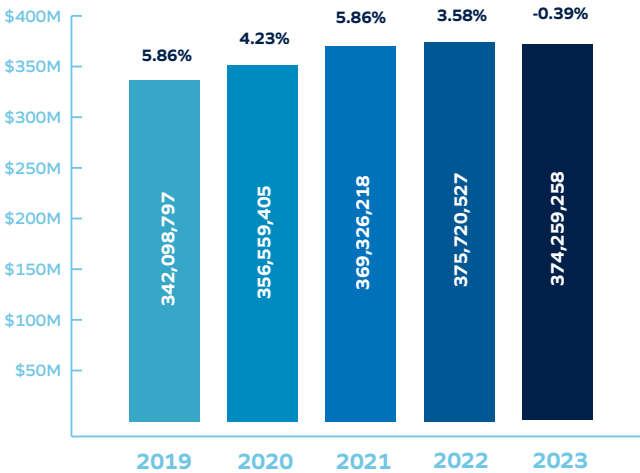
MEMBERSHIP



ASSETS



ASSET GROWTH



BRANCHES

| | | | | | |
|--------------------------|-----------------|-------------------------|----------------|-------------------------|-----------------|
| TORONTO | | DURHAM | | PEEL | |
| Members | 3,653 | Members | 2,946 | Members | 2,248 |
| Assets | \$158.7 million | Assets | \$82.6 million | Assets | \$118.6 million |
| Deposits | \$135.8 million | Deposits | \$81.0 million | Deposits | \$47.0 million |
| Loans | \$43.7 million | Loans | \$56.2 million | Loans | \$116.5 million |
| COLLEGE | | YORK | | HALTON | |
| Members | 756 | Members | 2,229 | Members | 627 |
| Assets | \$10.9 million | Assets | \$65.9 million | Assets | \$41.3 million |
| Deposits | \$7.2 million | Deposits | \$56.0 million | Deposits | \$8.8 million |
| Loans | \$10.6 million | Loans | \$64.0 million | Loans | \$40.0 million |

COMMUNITY INVOLVEMENT

We were privileged to support our policing community in 2023 and welcomed the opportunity to attend different events and functions.

In addition to supporting conferences, we also supported and attended the Beyond the Blue Gala, the Ontario Women in Law Enforcement Awards Gala, and Toronto Police Chief’s Gala in support of Victim’s Services.

We also attended various association Christmas parties, picnics and golf tournaments and the Toronto Special Olympics Torch Run.

Throughout the year, the Police Credit Union continued to find ways to support our policing community by donating over \$6,000 to police charities or events we could not attend. These contributions went to important events including the Widows and Orphans retirement appreciation packages and the 2023 Ontario Gangs Investigators Association Annual Conference, and Boots on the Ground Peer Support for First Responders.

In the spirit of ‘taking care of our own’ The Police Credit Union also supported various polar plunge sponsorships the TPS Ice Plunge and Peel Freezin for a Reason Polar Plunge.

The Police Credit Union continues to support the Ontario Police Memorial Foundation (OPMF) by donating a percentage of the revenue sharing profits, generated each year, by our Mastercard. The OPMF is a foundation that is near and dear to our members, and police associations, and continues to resonate with our membership. The more our members use our Mastercard for their credit card purchases, the greater the annual donation will be.



From Top to Bottom:
Peter Giftakopoulos making our yearly donation to the TPS Special Olympics.
Peter Giftakopoulos and **Dilnaz Garda** at the Beyond the Blue gala. **Natassia Piacampo** awarding a scholarship to **Evan Honke**.
George Lambropoulos and **Cyndi Ghoneim** attending the yearly TPA Picnic. **Donna Aleksovski** and **Nelia Abdullah** supporting the OWLE awards gala.

OUR PARTNERS

- Cobourg Police Association
- Durham Region Police Association
- Guelph Police Association
- Halton Regional Police Association
- Mtp Auxiliary Police Association
- Niagara Police Association
- Ontario Police Memorial Foundation
- Peel Regional Police Association
- Peel Regional Police Amateur Athletic Association
- Peterborough Police Association
- Police Association Of Ontario South Simcoe Police
- Timmins Police Association
- Toronto Police Amateur Athletic
- Toronto Police Association
- Toronto Police Military Veteran’s Association
- Toronto Police Pensioners Association
- Toronto Police Senior Officers
- Toronto Police Widows And Orphans Fund
- York Regional Police Association
- York Regional Police Retirees Associaton
- York Regional Police Senior Officers’



OUR IMPACT AT A GLANCE



SCHOLARSHIPS & BURSARIES

In 2023, we gave out \$5,500 in scholarships and bursaries to help students with their education.



POLICING COMMUNITY SPONSORSHIPS

Over the past five years, just over \$45,000 in sponsorship funds were given to our local police communities.



OPMF DONATIONS

We’ve donated over \$75,000 over the last seven years to the Ontario Police Memorial Foundation through our Mastercard profits.



DONATIONS IN KIND

Over \$12,000 donations in kind were given to the police community in the past four years.

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, 2020 (Act) and Ontario Regulation 105/22. 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:

- 1. Review of financial reporting,
- 2. Risk management and controls,
- 3. Audit activities; and
- 4. Compliance activities.

In the fulfillment of these responsibilities, the Committee met five times during 2023 and performed the following duties:

- Reviewed the results of our external audit provided by Jones & O’Connell LLP resulting in the recommendation to the Board to approve the 2023 Financial Statements.
- Directed the functions of our internal auditor, Rick Belsby & Associates, including review of detailed internal audit reports, recommendations, and 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.
- Concluded an RFP process with respect to External Audit services for the Credit Union

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: Rob Todd, Rod Fraser, George Tucker and Mike Sharp (Chair).



Mike Sharp,
Chair, Audit Committee

INDEPENDENT AUDITORS’ 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, 2023, 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, 2023.

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 26, 2024. 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

Chartered Professional Accountants
Licensed Public Accountants
St. Catharines, Ontario
February 26, 2024

FINANCIAL STATEMENTS

Summary Balance Sheet

| Year ended December 31 | 2023 | 2022 |
|---|-----------------------|-----------------------|
| Assets | | |
| Cash | \$ 11,108,494 | \$ 4,056,866 |
| Investments | 27,229,717 | 31,097,675 |
| Loans to members | 332,007,572 | 335,638,018 |
| Other assets | 429,657 | 646,092 |
| Property and equipment | 1,858,158 | 2,291,454 |
| Right of use assets | 1,625,660 | 1,990,422 |
| | <u>\$ 374,259,258</u> | <u>\$ 375,720,527</u> |
| Liabilities and Members' Equity | | |
| Members' deposits | \$ 339,048,531 | \$ 346,006,002 |
| Borrowings - liquidity | - | 731,532 |
| Securitization liabilities | 9,157,699 | 3,200,716 |
| Other current liabilities | 1,142,158 | 974,022 |
| Provisions | 283,204 | 285,204 |
| Lease liabilities | 2,118,722 | 2,552,715 |
| Membership shares qualifying as liabilities | 1,738,588 | 1,228,870 |
| | <u>\$ 353,488,902</u> | <u>\$ 354,979,061</u> |
| Members' Equity | | |
| Investment shares qualifying as equity | 4,500,000 | 4,979,923 |
| Undivided earnings | 16,292,150 | 16,158,980 |
| Accumulated other comprehensive loss | (21,794) | (397,437) |
| | <u>20,770,356</u> | <u>20,741,466</u> |
| | <u>\$ 374,259,258</u> | <u>\$ 375,720,527</u> |

ON BEHALF OF THE BOARD


G. James, Chair


M. Sharpe, Director

Summary Statement of Operations & Comprehensive Income

| For the year ended December 31 | 2023 | 2022 |
|---|---------------------|---------------------|
| Operating Revenue | | |
| Interest on loans | \$ 12,421,995 | \$ 10,118,815 |
| Investment income | 1,284,005 | 688,114 |
| Investment income (one-time) | - | - |
| | <u>13,706,000</u> | <u>10,806,929</u> |
| Interest Expense | | |
| Interest on members' deposits | 6,388,189 | 3,509,901 |
| Member rebates | - | 11,748 |
| Interest on borrowings - liquidity | 33,616 | 23,998 |
| Interest on securitization liabilities | 373,361 | 159,033 |
| | <u>6,795,166</u> | <u>3,704,680</u> |
| Financial Margin | <u>6,910,834</u> | <u>7,102,249</u> |
| Other Operating Items | | |
| Provision for losses on loans | \$ (95,720) | \$ (40,116) |
| Other income | 1,316,820 | 1,269,106 |
| Operating Margin | <u>\$ 8,131,934</u> | <u>\$ 8,331,239</u> |
| Operating Expenses | | |
| Administrative | 2,672,324 | 2,474,743 |
| Amortization of property and equipment | 528,053 | 565,462 |
| Amortization of right of use assets | 230,157 | 242,856 |
| Deposit Insurance | 277,238 | 275,964 |
| Salaries and benefits | 3,903,116 | 3,786,917 |
| Savings insurance - decrease in provision | - | - |
| | <u>7,610,888</u> | <u>7,345,942</u> |
| Income Before Income Tax Expense | <u>521,046</u> | <u>985,297</u> |
| Income Tax Expense | | |
| Current | (42,610) | (141,417) |
| Deferred | (32,266) | 25,167 |
| | <u>(74,876)</u> | <u>(116,250)</u> |
| Net Income for the Year | <u>446,170</u> | <u>869,047</u> |
| Other Comprehensive Loss | | |
| Unrealized loss on investments | 443,364 | (359,129) |
| Related current income tax recovery | (67,721) | 65,362 |
| | <u>375,643</u> | <u>(293,767)</u> |
| Comprehensive Income for the Year | <u>\$ 821,813</u> | <u>\$ 575,280</u> |

Summary Statement of Changes in Members' Equity

| | Investment Shares Qualifying as Equity | | Undivided Earnings | | Accumulated Other Comprehensive Loss | | Members' Equity |
|--|--|-----------|-----------------------|------------|---|-----------|--------------------|
| Balance, December 31, 2021 | \$ | 4,958,077 | \$ | 15,569,933 | \$ | (103,670) | \$ 20,424,340 |
| Amortization cost of issuance of investment shares | | 21,846 | | – | | – | 21,846 |
| Dividends declared on investment shares | | – | | (280,000) | | – | (280,000) |
| Comprehensive income (loss) | | – | | 869,047 | | (293,767) | 575,280 |
| Balance, December 31, 2022 | \$ | 4,979,923 | \$ | 16,158,980 | | (397,437) | \$ 20,741,466 |
| Reclassification of Investment shares to liabilities | | (500,000) | | | | | (500,000) |
| Amortization cost of issuance of investment shares | | 20,077 | | – | | – | 20,077 |
| Dividends declared on investment shares | | – | | (313,000) | | – | (313,000) |
| Comprehensive income | | – | | 446,170 | | 375,643 | 821,813 |
| Balance, December 31, 2023 | \$ | 4,500,000 | \$ | 16,292,150 | \$ | (21,794) | \$ 20,770,356 |

1. Basis of Presentation

These financial statements are a summary version of the audited financial statements for the year ended December 31, 2023, which have been approved for issue by the Board of Directors on February 26, 2024. 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 and 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, 2023.



THE POLICE
CREDIT UNION

Taking care of our own