



HAWAII STATE

FEDERAL CREDIT UNION

ANNUAL REPORT 2014

Tomorrow's Possibilities



Federally insured by NCUA

always right by you

It's our commitment to keep
doing what we do best,
being there for you.

Annual Report 2014

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Message from Governor David Y. Ige




On behalf of the people of Hawai'i, I send my *aloha* to the Hawai'i State Federal Credit Union (HSFCU) employees, member-owners and guests attending its annual meeting.

As a non-profit financial cooperative, owned and operated by its more than 84,000 members, Hawai'i State FCU and its 250 plus employees have provided professional financial services in Honolulu since its inception in 1936. With branches located on O'ahu and Maui and shared-branches located throughout the state and the nation, the credit union works tirelessly to provide its members with a full range of services from high-interest savings and checking accounts to mortgage and consumer loans, and credit and debit cards.

The Hawai'i State FCU also supports its member-owners by staying true to its philosophy of "being always right by you," offering excellent customer service delivered with the spirit of *Aloha*.

I am confident that Hawai'i State FCU will continue to help its member-owners thrive and maximize their opportunities to reach and sustain their own fiscal health by providing financial services that are trustworthy, dependable and secure.

Mahalo for your dedication and I wish you continued success in all your future endeavors.

Sincerely,

David Y. Ige
Governor, State of Hawai'i



Message from Mayor Kirk Caldwell



Aloha. I am pleased to congratulate Hawaii State Federal Credit Union officers and board of directors for another successful year.

Chartered in 1936, Hawaii State Federal Credit Union has become one of the largest and most trusted credit unions in the state.

Throughout its history, Hawaii State Federal Credit Union has maintained its small town roots while keeping pace with technological advances and regulatory changes in the financial services industry.

Services such as your Private Line and free Online Banking system allow 24-hour access for your members. Your wide range of financial services, including IRAs; mortgage loans; home equity lines of credit; credit and debit cards; a dividend-earning checking account; high-dividend savings; and low auto and personal loan rates, provide members with important methods to build and manage wealth.

Our community is grateful for your significant contributions, including support of the Friends of the Library of Hawaii. On behalf of the people of the City and County of Honolulu, I extend best wishes for continued success.

Aloha,

Kirk Caldwell
Mayor, City and County of Honolulu





Chairman's Message to Members

Aloha Fellow Members,

On behalf of the Board of Directors, I am pleased to report to our member owners, that 2014 was a year of record growth for Hawaii State Federal Credit Union.

Despite a challenging economic environment and increasing regulatory pressures, Hawaii State Federal Credit Union (HSFCU) continues to grow, offering more convenient services and greater value to our members.

Here are some of the highlights of the year:

- HSFCU grew to more than \$1.35 billion in assets making it one of Hawaii's largest financial institutions. HSFCU is financially strong with more than \$150 million in capital. Despite maintaining some of the lowest fees and best rates in Hawaii, we generated \$4.5 million in income in 2014.
- We doubled our new member growth rate in 2014, allowing us to provide financial solutions to over 84,000 members across the state.
- We successfully developed and implemented our new brand and tagline, "Always Right By You," differentiating HSFCU from other financial institutions, emphasizing the high level of service and personal care we provide members.
- We were awarded the Best Credit Union by the Honolulu Star Advertiser; most "liked" Hawaii Credit Union; and named one of the Best Places to Work by Hawaii Business Magazine.
- We continued to help our members and support the community we serve. We awarded \$30,000 to students pursuing higher education in the Lowell Kalapa Scholarship Program, gave \$20,000 in grants to public school teachers in the Investing in Education Program, and continued our support as a major sponsor of the Friends of the Library of Hawaii.
- We are actively protecting members against fraud. For example, we were the first financial institution in Hawaii to add EMV Chip technology to our credit cards.
- We added a mobile banking app and began offering mobile check deposits for greater convenience.

The Board thanks you for your continued support of the credit union. We have never been more excited about our prospects for the future and remain steadfast on our path to emerge as a leader in Hawaii's financial services.

A handwritten signature in black ink, appearing to read "William Milks".

William Milks
Chairman

Board of Directors



William Milks
Chairman



Russel Yamashita
Vice Chairman



Grant Tanimoto
Treasurer



Terrence Aratani
Secretary



David Akaka
Director



Kaulana Park
Director



Connie Chang
Director*

Executive Management



Andrew Rosen
President & CEO



Rachael Sasaki
Exec. Vice President
Administrative
Services



Craig Warren
Exec. Vice President
Sales & Sales
Support



Edmund Pang
Sr. Vice President
Chief Financial
Officer



Joel Kumabe
Sr. Vice President
Chief Information
Officer



Elliot Hatiko
Sr. Vice President
Sales & Branch
Operations



Victor Brock
Vice President
- Consumer &
Mortgage Lending



Nathan Chang
Vice President
Credit Admin. &
Business Lending



Cindy Ching
Vice President
Support Services



Patricia Hao
Vice President
Human Resources



Janice Nakamoto
Vice President
- Information
Systems



Jon Nakamoto
Vice President
Internal Audit

Supervisory Committee Report

The Supervisory Committee is pleased to report that Hawaii State Federal Credit Union continued to operate in accordance with sound financial principles and within applicable laws and regulations in 2014.

Federal regulations require supervisory committees to ensure the board of directors and management of credit unions meet required financial reporting objectives, and establish practices and procedures sufficient to safeguard members' assets.

To fulfill our responsibilities, we contracted with a certified public accounting firm to perform an independent audit of the credit union's financial statements as of December 31, 2014; contracted with information systems specialists to review the credit union's management of technology services; directed an internal audit program to evaluate and improve the credit union's effectiveness of risk management, controls, and governance processes; worked with the National Credit Union Administration's (NCUA) examiners; monitored the activities of the Board of Directors and management; investigated member complaints; participated in educational programs; verified closed memberships; and conducted special investigations or studies as we considered necessary.

We would like to express our gratitude to the credit union's Board of Directors and management for their support in helping us to serve you in 2014.

Josh Strickler
Chairman, Supervisory Committee

Supervisory Committee



Josh Strickler
Chairman



Susan Lee
Secretary



Derrick Inouye
Member



Manu Kaiama
Member



Michael Miranda
Member



Financial Statements

Statement of Financial Condition (Unaudited)

ASSETS	Dec. 31, 2014	Dec. 31, 2013
Loans, Less Allowance for Loan Losses of \$4,989,644 in 2014 and \$7,293,637 in 2013	\$ 531,253,730	\$ 467,777,228
Cash and Cash Equivalents	\$ 167,553,295	\$ 182,469,185
Investments		
Available for Sale	\$ 603,890,207	\$ 612,497,283
Held to Maturity	712,960	1,108,465
Restricted	2,044,700	2,081,300
Total Investments	\$ 606,647,867	\$ 615,687,048
Other		
Accrued Income Receivable	3,137,052	2,911,745
Property and Equipment, Net Depreciation	19,005,893	15,986,010
National Credit Union Share Insurance Fund (NCUSIF)	11,605,327	11,271,604
Other Assets	12,701,426	12,032,857
Total Other	\$ 46,449,698	\$ 42,202,216
TOTAL ASSETS	\$ 1,351,904,590	\$ 1,308,135,677

LIABILITIES, SHARES AND EQUITY	Dec. 31, 2014	Dec. 31, 2013
Accounts Payable & Other Liabilities	\$ 11,436,685	\$ 10,778,124
Total Shares	\$ 1,190,000,431	\$ 1,153,933,972
Equity		
Regular Reserves	\$ 29,435,000	\$ 29,435,000
Other Reserves	25,500,000	25,500,000
Undivided Earnings	95,840,991	91,112,729
Accumulated Other Comprehensive Income	(308,517)	(2,624,148)
Total Equity	\$ 150,467,474	\$ 143,423,581
TOTAL LIABILITIES, SHARES & EQUITY	\$ 1,351,904,590	\$ 1,308,135,677

Federally insured by NCUA

Statement of Income (Unaudited)

	Dec. 31, 2014	Dec. 31, 2013
Interest Income		
Interest on Loans	\$ 24,668,627	\$ 24,875,581
Income from Investments	7,888,577	7,971,607
Total Interest Income	\$ 32,557,204	\$ 32,847,188
Interest Expense		
Dividends Paid to Members	\$ 3,093,793	\$ 3,706,656
Interest on Borrowed Funds	22	1
Total Interest Expense	\$ 3,093,815	\$ 3,706,657
Net Interest Income	\$ 29,463,389	\$ 29,140,531
Non-Interest Income	\$ 9,363,834	\$ 7,466,422
Non-Interest Expense		
Compensation and Employee Benefits	\$ 17,772,054	\$ 15,503,738
Office Operations	5,506,210	5,695,800
Professional and Outside Services	4,181,918	3,985,265
Office Occupancy	2,592,827	2,475,939
Loan Servicing	1,951,325	1,648,556
Promotions & Advertising	1,870,343	1,602,850
Training	380,403	269,365
NCUA Operating Fee	223,656	263,087
Annual Meeting	176,511	179,573
Association Dues	167,273	154,575
NCUA Assessments	–	901,728
Member Insurance	–	56,618
Other Operating Expenses	308,213	294,485
Provision for Loan Losses	(459,000)	1,566,500
Total Non-Interest Expense	\$ 34,671,733	\$ 34,598,079
Income from Operations	\$ 4,155,490	\$ 2,008,874
Non-Operating Income (Loss)		
Gain (Loss) on Investment	\$ 44,464	\$ (754)
Gain (Loss) on OREO	(50,000)	578,542
Other	350,962	224,547
Total Non-Operating Income (Loss)	\$ 345,426	\$ 802,335
NET INCOME	\$ 4,500,916	\$ 2,811,209

We've got your back
so you can keep looking forward
to tomorrow's possibilities.



HAWAII STATE

FEDERAL CREDIT UNION

always right by you

Main Branch

560 Halekauwila Street

Mon. – Fri.: 7:30am to 5:00pm

State Paydays: 7:00am to 5:00pm

Ali'i Branch

1099 Alakea Street, Suite 100

Mon. – Fri.: 7:30am to 5:00pm

State Paydays: 7:00am to 5:00pm

Kaimuki Branch

3221 Waialae Avenue, Suite 16-B6

Mon. – Fri.: 8:00am to 5:00pm

Saturday: 9:00am to 1:00pm

Kaneohe Branch

Kaneohe Bay Shopping Center

46-047 Kamehameha Highway, #7

Mon. – Fri.: 9:00am to 6:00pm

Saturday: 9:00am to 1:00pm

Kapolei Branch

Kapolei Shopping Center

91-590 Farrington Highway, Suite 140

Mon. – Fri.: 9:00am to 6:00pm

Saturday: 9:00am to 1:00pm

Mililani Mauka Branch

95-1095 Ainamakua Drive, #9

Mon. – Fri.: 9:30am to 6:30pm

Saturday: 9:00am to 1:00pm

Pearlridge Branch

Westridge Shopping Center

98-150 Kaonohi Street, #C101

Mon. – Fri.: 9:00am to 6:00pm

Saturday: 9:00am to 5:00pm

Kahului Branch

Triangle Square

425 Koloa Street, #101B

Mon. – Fri.: 8:30am to 4:30pm

Saturday: 9:00am to 1:00pm

Member Service Call Center

Oahu: (808) 587-2700

Toll Free: (888) 586-1056

Mon. – Fri.: 7:30am to 7:00pm

Saturday: 9:00am to 5:00pm

www.HawaiiStateFCU.com

/HawaiiStateFCU