

2014 ANNUAL REPORT

Shaping our Future

 UNIVERSITY OF HAWAI'I
FEDERAL CREDIT UNION
UHFCU.COM

Federally Insured by NCUA



CHAIRMAN & CEO'S MESSAGE



Edward Yuen
Chairman of the Board

Jeanine M. Morse
President/CEO

In 1955, the University of Hawai'i Federal Credit Union was established by a group of 10 UH colleagues. Since those humble beginnings, we've grown to over 29,000 members and more than \$555 million in assets. We've experienced great success and great challenges during good economic times and bad.

As we reach our 60th anniversary milestone, we look forward to continued success and will thrive going forward for three key reasons: Stellar member service, ongoing financial stability, and disciplined strategic planning. Each is important in its own way and each contributes uniquely to our overall success.

One of the ways we provide market-leading service is by making it easier for you to manage your finances, whether in-branch, online or on the go. The expansion of our existing surcharge-free ATM network to include American Savings Bank ATMs (in addition to First Hawaiian Bank ATMs) is a reflection of that commitment.

We are also "all ears" when it comes to listening to you through surveys and focus groups to ensure we are fulfilling your needs and meeting your expectations as Hawai'i's leading credit union. The teamwork has led to our highest ratings in member service since we started measuring our Net Promoter Score (NPS), which was 81.3% for the year! This result compares very favorably to the industry average for banking, which was 34%.

Throughout 2014, we experienced strong loan growth, launched new and convenient services, and improved internal efficiencies – all while keeping expenses in check. It was a very good financial year for your Credit Union as we reached a Net Worth Ratio of 10.71%. We are especially proud to have accomplished that level of financial stability while relying significantly less on fee income than our peers.

We are also shaping our future with the strategic decision to upgrade our core software system in July 2015. The core system houses our member accounts and member data, and the new core provides enhanced security options and technological and operational efficiency. By changing to a new system, we are better positioned to offer state-of-the-art products and services that best serve our members. We're also unveiling new Debit and Credit Cards with eye-catching, UH-inspired designs, as well as EMV chip technology for enhanced security.

We wish to express our sincere appreciation to the entire membership. Your support of this financial cooperative genuinely makes a real difference in the financial lives of those we serve, now and in the years to come.

Mahalo,

Edward Yuen
Chairman of the Board

Jeanine M. Morse
President and Chief Executive Officer

Member Voices

"The best banking experience I have ever had."

Member Voices

"Every interaction, whether via phone or especially in person, has been pleasant and positive! Loan requests for info and/or application is quick! Great job all!"

UHFCU BOARD OF DIRECTORS



Edward Yuen
Chairperson



Sylvia Higashi
Vice Chairperson



Barbara Kawamoto
Treasurer



Jan Javinar
Secretary



Kenji Sumida



Clifford Togo



Michael Unebasami

STATEMENT OF FINANCIAL CONDITION

As of December 31, 2014 and 2013 (unaudited)

	12/31/14	12/31/13
ASSETS		
Cash & Equivalents	\$ 31,548,827	\$ 34,426,419
Investments	335,979,074	333,495,500
Loans	165,786,125	157,308,113
Less: Allowance for Loan Losses	(1,246,378)	(1,432,585)
Property & Equipment	15,761,300	15,476,236
Other Assets	7,842,905	7,817,268
TOTAL ASSETS	\$ 555,671,853	\$ 547,090,951
LIABILITIES, SHARES & EQUITY		
Accounts Payable & Other Liabilities	\$ 2,540,885	\$ 2,223,774
Members' Shares	492,806,605	491,801,315
Members' Equity	60,324,363	53,065,862
TOTAL LIABILITIES, SHARES & EQUITY	\$ 555,671,853	\$ 547,090,951

STATEMENT OF INCOME

For the years ending December 31, 2014 and 2013 (unaudited)

	12/31/14	12/31/13
Interest Income	\$ 14,119,998	\$ 14,270,949
Interest Expense	1,916,559	2,251,249
NET INTEREST INCOME	12,203,439	12,019,700
Less: Provision for Losses	349,029	432,910
NET INTEREST INCOME AFTER PROVISION FOR LOSSES	11,854,410	11,586,790
OPERATING EXPENSES	8,251,114	8,458,524
OTHER INCOME		
Other Operating Income	1,707,285	1,677,700
Other Non-Operating Income (Expense)	15,657	(498)
NET INCOME	\$ 5,326,238	\$ 4,805,468

TREASURER'S REPORT



In 2014, UHFCU built upon its solid foundation of financial strength by focusing on its core values as well as identifying and acting upon opportunities to reduce operating expenses while improving service.

We finished the year with net income of \$5.3 million and an impressive 0.97% Return on Assets, resulting in a strong year-end Net Worth Ratio of 10.71%.

Total assets increased by \$8.6 million to \$556 million in total. Total deposits increased by \$1.0 million while loan balances increased by \$8.5 million. Last year's low interest rate environment gave members the opportunity to take advantage of our lending products at exceptionally low rates. Mortgage lending led our portfolio growth, increasing by \$4.9 million or 13.2% in balances. Our Credit Card proved extremely competitive as well, with a low rate, no annual fee, and rewards – growing \$1.4 million or 14.4% in balances.

We are also pleased to report that our supervisory regulator, the National Credit Union Administration (NCUA), examined your Credit Union and issued us the highest possible rating for overall financial health based on our strong financial performance and risk management practices as well as our safe and sound operations.

We thank you for allowing us to serve you and look forward to an exciting and innovative 2015. You can be proud of the many accomplishments attained in the past years while being assured the future of UHFCU is looking brighter and more financially secure than ever.

Mahalo,

Barbara Kawamoto
Board Treasurer

Member Voices

"I have been a member of the CU for over 30 years. They go out of their way to make their members happy."

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is a group of volunteer members who serve a vital role in serving UHFCU's members. The Committee is responsible for making sure that the Credit Union's financial records are in order and internal controls are in place to protect the assets of the Credit Union and its members. During the year, the Committee retained Richards & Associates, CPAs to conduct the annual financial statement audit of your Credit Union.

Richards & Associates is currently performing the audit for 2014, and has not completed its audit as of this date. The Committee is being kept apprised by the auditors during this audit and expects an unqualified (clean) auditor's opinion on the financial statements for the year then ended.

The Internal Auditor reviewed the membership records, accounts and other areas as directed by the Committee to ensure that adequate internal controls are established and maintained to safeguard the Credit Union's assets. Internal Audit did not report any significant weakness in internal controls or other areas covered during its internal audits.

As your Credit Union continues to grow, we look forward to another successful year and would like to express our appreciation to the dedicated employees, management, volunteers and Board of Directors of your Credit Union.

Sincerely,

David Ching, *Committee Chairperson*
Marlene Mattos and Shareef Wang

VISION STATEMENT

To be Hawai'i's most secure, progressive, and sought after financial institution with employees and volunteers who understand and anticipate our members' needs; building lifelong relationships, one member at a time.

MISSION STATEMENT

To care for our members' needs with efficiency, integrity and respect. Deliver innovative and relevant products and services that provide value in a manner that encourages financial well-being for our members while maintaining the safety and soundness of our Credit Union.

CORE VALUES

We will incorporate these values into everything we do, every day.

Trust: Earn the confidence, faith, and loyalty of everyone, every day.

Teamwork: We do not work for each other, we work with each other.

Integrity: Always strive to do the right thing, no matter the consequences. Choosing right over wrong, ethics over convenience, and truth over popularity-these are the choices that measure your life.

Attitude: Is a little thing that makes a big difference. A positive attitude causes a chain reaction of positive thoughts, events, and outcomes.

Commitment: Dedication, faithfulness, trust, and loyalty.

Loyalty: Dependable, reliable, and dedicated. Can always be counted on.

HOW TO CONTACT US

Mailing Address:

P.O. Box 22070
Honolulu, HI 96823-2070

Website Address:

www.uhfcu.com

PHONE NUMBER

(808) 983-5500

EMAIL ADDRESS

memberservices@uhfcu.com

BRANCHES

McCully Branch:

2019 South King Street
Honolulu HI 96826
Mon to Thurs: 8:30AM – 5:00PM
Fri: 8:30AM – 6:00PM
Sat: 9:00AM – 1:00PM

Mānoa Campus Center Branch:

Next to Cafeteria – 2nd level
Mon to Fri: 8:00AM – 4:00PM

Mānoa Campus Branch:

Across from the Thrift Shop
Mon to Fri: 8:30AM – 1:00PM

West Oahu Campus Branch:

Central Plaza next to the Bookstore
Mon to Fri: 8:00AM – 4:00PM

Loans as easy as...

1. Online or by Phone
2. Instant Approval*
3. 1-Day Funding**



We're proud to have accomplished several steps in 2014 to make applying for loans quick, easy, and convenient! You can now apply online at UHFCU.com 24x7 and receive an INSTANT decision. Plus, upon approval, you can receive the funds in as little as one day (and we're working to make it even faster in 2015!). Apply today at UHFCU.com!

*Subject to meeting credit underwriting criteria. **One business day turnaround is subject to loan status as well as timely submittal of required documents.

