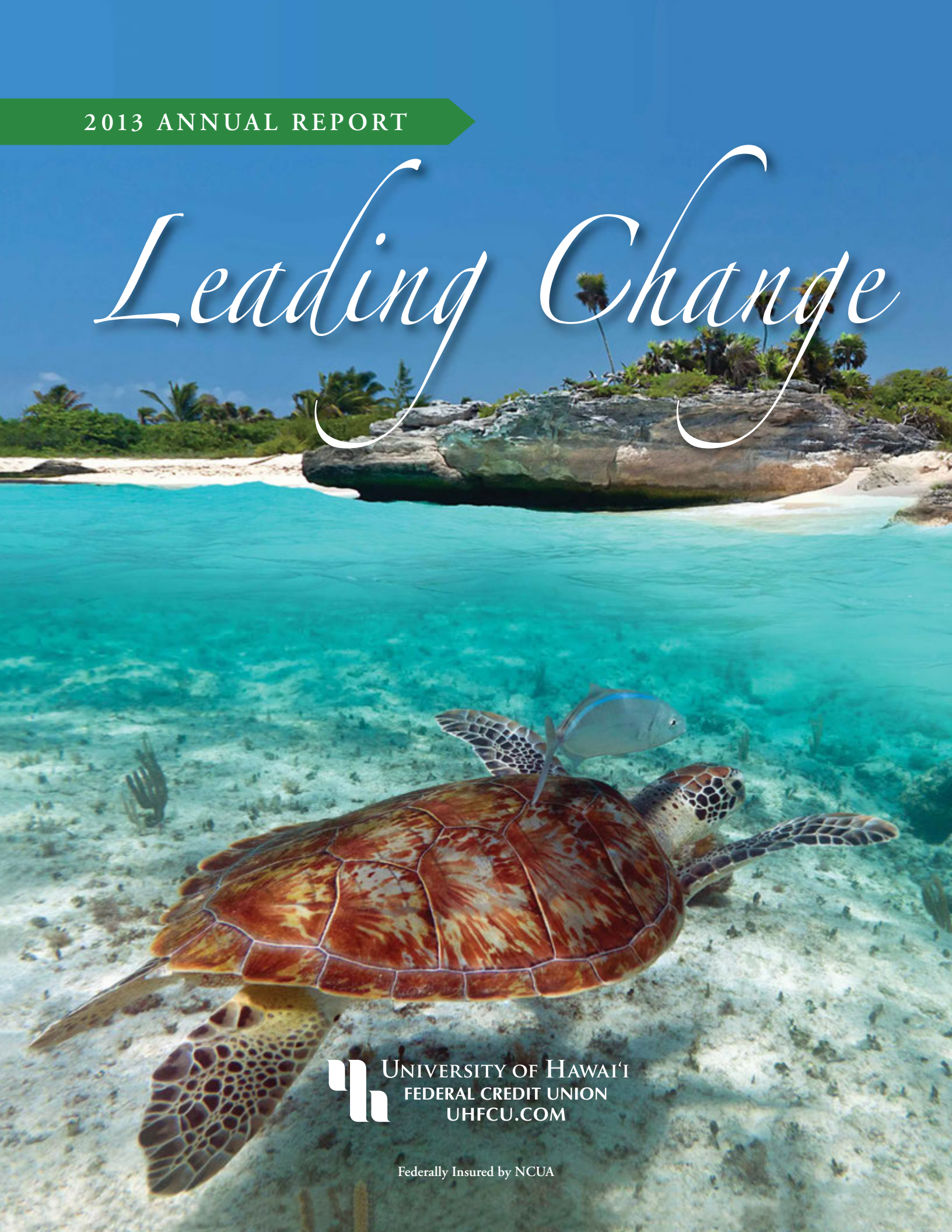


2013 ANNUAL REPORT

Leading Change



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

One word that best describes the past year – for UHFCU as an organization, for our members and for the financial environment – is “change.” Along with having a strong financial year, we dedicated 2013 to following through on the bold strategic plan our Board of Directors developed to guide us in the coming years. As a result, we have made many positive changes to meet the demands of today’s rapidly changing financial environment.

Member Voices

“I am so very proud to be a member of the CU. Outstanding at putting the member first.”

We implemented a new, innovative internal training program to ensure we offer you up-to-date products and services to suit your lifestyle and needs. We also stepped up our use of technology to better fit your busy, fast-paced lives, including launching a new online account opening service. Now you can open a Checking account – day or night – from the comfort of home in less than five minutes. We’ve also reduced our ecological footprint and controlled operating costs with new, energy conservation measures in our McCully branch. And, most importantly, our members have given us our highest ratings in member service since we started measuring our Net Promoter Score (NPS), which was 80.4% for the year! This result compares very favorably to the industry average for banking, which was 29%.

In the coming year, we will continue to embrace new ways to “lead change.” In fact, we are working on another innovative service debuting in the coming months to make it even easier to manage your finances. We believe these improvements, as well as the experiences you share with your friends and family, will attract more members to join us in the pursuit of our vision to “build lifelong relationships, one member at a time.” However, one thing will not change: Our dedication to the University. Since our humble beginnings in Manoa, we have been proud to uphold this unique distinction as a Credit Union. We are committed to serving the University’s faculty, staff, students, and alumni as well as sponsoring and supporting several of its key initiatives. We look forward to continuing this exclusive tradition that has shaped your credit union since 1955.

Member Voices

“I’ve been a member for over 20 years. I always get great service and when I make mistakes, I get treated as if I didn’t. I enjoy everything about UHFCU. My entire family are members. I greatly appreciate Saturday hours! Thank you for caring!”

Mahalo,

Edward Yuen
Chairman of the Board

Jeanine M. Morse
President and Chief Executive Officer

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, 2013 and 2012 (unaudited)

	12/31/13	12/31/12
ASSETS		
Cash & Equivalents	\$ 34,426,419	\$ 34,900,984
Investments	333,495,500	339,468,266
Loans	157,308,113	152,471,168
Less: Allowance for Loan Losses	(1,432,585)	(1,656,902)
Property & Equipment	15,476,236	15,762,157
Other Assets	7,817,268	8,786,788
TOTAL ASSETS	\$ 547,090,951	\$ 549,732,461
LIABILITIES, SHARES & EQUITY		
Accounts Payable & Other Liabilities	\$ 2,223,774	\$ 1,795,958
Members' Shares	491,801,315	493,919,611
Members' Equity	53,065,862	54,016,892
TOTAL LIABILITIES, SHARES & EQUITY	\$ 547,090,951	\$ 549,732,461

STATEMENT OF INCOME

For the years ending December 31, 2013 and 2012 (unaudited)

	12/31/13	12/31/12
Interest Income	\$ 14,270,949	\$ 16,244,008
Interest Expense	\$ 2,251,249	\$ 3,467,779
NET INTEREST INCOME	\$ 12,019,700	\$ 12,776,229
Less: Provision for Losses	432,910	933,245
NET INTEREST INCOME AFTER PROVISION FOR LOSSES	\$ 11,586,790	\$ 11,842,984
OPERATING EXPENSES	\$ 8,458,524	\$ 8,477,090
OTHER INCOME		
Other Operating Income	\$ 1,677,700	\$ 1,442,198
Other Non-Operating Income (Expense)	(498)	199,808
NET INCOME	\$ 4,805,468	\$ 5,007,900

TREASURER'S REPORT



UHFUCU continued a long-standing pattern of successful operations this past year. We finished the year with net income of \$4.8 million and an impressive 0.88% Return on Assets, resulting in a strong year-end Net Worth Ratio of 9.91%. These gains were

largely due to controlled share growth and strategic reductions in operating expenses.

In 2013, assets decreased slightly to \$547 million. Loans increased by \$4.8 million while deposits and investments decreased by \$2.1 million and \$6.0 million, respectively. Loan quality remained high, as demonstrated by low delinquency rates and loan losses. Moving forward in this low-rate environment, we will continue to manage deposit and loan rates skillfully to ensure interest margins remain at optimal levels and provide outstanding value to our more than 29,000 members while remaining well-positioned financially.

Building upon the initiatives started during the last financial year as well as new strategic initiatives, the Credit Union is projecting another year of growth through innovative and dedicated service to our members. With your support, the Board's ongoing leadership and the staff's dedication to serving your financial needs, we will continue to be Hawai'i's leading credit union.

Mahalo,

Barbara Kawamoto
Board Treasurer

Member Voices

"I have been a member for 20 years and the CU has consistently had great service. During tough times your staff assisted me with care and compassion. I appreciate you."

CREDIT COMMITTEE REPORT

Your Committee, with the assistance of Credit Union staff, met in 27 regular meetings throughout 2013 and reviewed and approved 1,090 consumer loan, 570 credit card, and 249 real estate-secured loan applications, totaling nearly \$46 million. We grew our core loan portfolio by 3.2% year-over-year while upholding the fiduciary responsibilities to the membership through the prudent loan policies and management practices of the Board of Directors.

As we say goodbye to 2013, we also want to wish you the best in 2014 and beyond. 2013 will be the final year of the Credit Committee's term in serving the University of Hawai'i Federal Credit Union as we move forward with streamlined loan decision processes. It has been our honor and privilege to serve on the Committee and, most importantly, you, our members.

Aloha,

Clifford Togo, *Committee Chairperson*
Gwen Won, Gilbert Kuroda

Member Voices

"The courteous, friendly and efficient service I had received made me feel very comfortable."

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 2013 and has not completed its examination as of this date. The Committee is being kept apprised by the auditors during this examination 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,

Jenny Teruya, *Committee Chairperson*
David Ching and Sharon Cox

Member Voices

"I have always been very happy with the cu. You have the best rates for loans, friendly service and good product offerings."

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

