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HAWAII LAW ENFORCEMENT
FEDERAL CREDIT UNION

ANNUAL REPORT 2013

Federally insured by NCUA

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Supervisory Committee Report

Hawaii Law Enforcement Federal Credit Union

Statement of Income

For the Period Ending December 31, 2013

	2013	2012
Operating Income		
Interest on Loans	2,427,455.71	2,441,435.65
Interest on Investments	1,034,924.34	1,391,178.88
Fees and Charges	158,657.03	141,927.39
Miscellaneous Income	<u>637,960.05</u>	<u>552,012.56</u>
Total Income	<u>4,258,997.13</u>	<u>4,526,554.48</u>
Operating Expenses		
Compensation	1,414,236.33	1,406,830.96
Employee Benefits	509,372.77	686,659.44
Travel & Conference	41,214.00	26,831.75
Association Dues	45,490.70	44,548.86
Office Occupancy	456,523.80	470,619.77
Office Operations	610,313.79	553,208.08
Education & Promotion	164,627.60	119,385.33
Loan Servicing	370,009.41	303,067.96
Professional Services	1,023,408.78	982,103.96
Provision for Loan Losses	(165,831.00)	18,220.00
Member Insurance	140,187.28	142,123.66
Fed Exam Fees	33,214.35	32,561.71
Interest on Borrowed Funds	-	-
Annual Meeting	44,515.60	45,907.87
Miscellaneous	<u>43,448.35</u>	<u>39,373.88</u>
Total Operating Expenses	<u>4,730,731.76</u>	<u>4,871,443.23</u>
Income (Loss) from Operations	(471,734.63)	(344,888.75)
Gain (Loss) on Investments	23,529.76	106,560.28
Gain (Loss) on Disposal of Assets	(15.00)	44.92
Non-Operating Income (Loss)	-	-
Gain (Loss) on OREO	<u>14,162.77</u>	<u>20,695.60</u>
Net Income (Loss) before Dividends	(434,057.10)	(217,587.95)
Dividends	<u>353,563.85</u>	<u>464,197.06</u>
Net Income (Loss)	<u>(787,620.95)</u>	<u>(681,785.01)</u>

To the best of our knowledge and belief, this statement and the related statements are true and correct and present fairly the financial position and the results of operations for the period.

The job of the Supervisory Committee is to independently evaluate all aspects of the Credit Union and ensure that it is managed properly and soundly. We accomplish this through recurring audits and regular reviews of internal controls, policies, and procedures.

To assist us, CU Pacific Audit Solutions, Inc. was employed to periodically audit the Credit Union's financial records and operations. We take pride in being vigilant in ensuring that the Credit Union maintains a strong financial position, and remains financially stable and poised for future growth.

Cary Okimoto, Chairperson
Christopher Park, Secretary
Nathan Matsuoka, Member

Allan Lewis, Member
Carlene Lau, Member

Treasurer's Report

Thank you for your confidence and devotion to the Hawaii Law Enforcement FCU. In 2013, your credit union sustained a net worth of 9.90%, which equates to \$14.5 million in reserves; far exceeding the NCUA minimum guideline. Although, posting a net loss, we achieved strong performances in assets, shares, loans, and membership growth. The stabilization in earnings and enhanced risk management practices consistently provide for safe and sound operations. Below are notable statistics for 2013:

- Assets grew by \$4.3 million (or 2.96%) to \$151,242,732
- Share deposits grew by \$6.1 million (or 4.75%) to \$136,063,246
- Loans grew by \$8,719,360 (or 18.68%) to \$55,404,900
- Membership grew by 501 (or 4.05%) to 12,879

The Board, Management, and Staff are determined to be your primary financial institution deserving of your trust, loyalty and support for years to come.

Delbert Tatsuyama, Treasurer

Credit Committee Report

As consumer confidence grew and unemployment declined in Hawaii to a low of 4.3%, the Hawaii Law Enforcement Federal Credit Union experienced 18.68% growth in our loan portfolio, ending 2013 at \$55.4 million. We continued to see improvement in credit quality and a decrease in delinquencies and charge-offs, thereby strengthening our financial position. As a member-owned financial cooperative, we remain committed to assisting our members in getting the loans they need at a fair and equitable price, and helping rebuild the financial lives of those shaken during the economic recession.

Roy Helepololei, Chairperson
Rene Matsuura, Member

Radford Real, Member

CEO's Message

Last year, an improving economy propelled the Hawaii Law Enforcement Federal Credit Union toward realizing our financial goals. Using that momentum, we were able to increase our products, services and operational efficiencies for our membership. Loans became the biggest story for us in 2013 as we increased our portfolio by an astounding 18.68%! Rising property values on the islands ushered in more home equity lines of credit, and a rebounding automobile market strengthened the demand for both new and used car loans.

As a law enforcement-focused financial institution, Hawaii Law Enforcement Federal Credit Union's core mission is to serve the unique financial needs of the men, women, families of Hawaii's law enforcement community, our ohana. As such, we continued to focus on providing value, security, and relevant products and services to our members.

With this as our priority, we listened to your requests for faster loan decisions, and can now process your application within 10 minutes. In addition, we made applying for a loan easier by launching a mobile loan application. To safeguard your financial well-being, we enhanced our insurance product offerings, which include Credit Life, Credit Disability, Extended Warranty, and Gap Insurance. To provide a more convenient banking experience, we launched an adaptive mobile website. We continued to bring value to our membership by providing select services at no cost or kept fees low.

In 2013, we had the honor and privilege of expanding our field of membership with the addition of three select employer groups, which includes the Honolulu City and County Department of Prosecuting Attorney, State of Hawaii Department of Land and Natural Resources, and FBI National Academy Associates, inc. Hawaii Chapter. We added a record breaking 501 new members to our Credit Union with our continue membership expansion.

Looking forward, please be assured that we stand committed to serving and protecting your financial needs. There is a lot of information on money matters that can be intimidating and confusing. Please know that you can trust the experts at Hawaii Law Enforcement Federal Credit Union to have your best interest at heart. So, to that end, we are developing a program that will introduce you to our very own Credit Union experts who will break it down and cut through the confusion—answering your money management questions, assisting you in building or rebuilding your credit history, or helping you plan your retirement, always with the warmest of smiles.

Your loyalty to our Ohana has kept us strong and that strength will allow us to continue to provide relevant products and services that you deserve.

With great respect and aloha,

Rene Matsuura
President and Chief Executive Officer

Chairperson's Report

Since 1937, our Credit Union has worked hard to serve our Ohana, Hawaii's law enforcement community. Through the efforts of our dedicated and professional staff, we reached out within our community and welcomed over 500 new members to our Ohana, growing our membership more than 4% from the previous year. Existing members and new members came to us for low loan rates and competitive deposit rates, helping us take in over \$8.7 million dollars in loans and grow our share balances to over \$136 million while maintaining a strong capital position of 9.90%.

This healthy financial performance ensures that our Credit Union remains strong and poised to help you through all of life's stages in the years ahead. It allows us to continue giving you, our member-owners, a brighter financial future through new products, increased services, and the financial expertise you've come to depend on from your Credit Union. In a competitive marketplace, we know you have options for your banking needs and we are grateful that you've given us the opportunity to serve you.

Aloha and Malama Pono,

Russell Ikeda, Chairperson
Mark Nakagawa, Vice-Chairperson
Delbert Tatsuyama, Treasurer
Robert Aton, Secretary

Robert Kane, Director
Frank Fujii, Director
Derrick Tsukayama, Director



Financial Comparison

Category	Dec 2013	Dec 2012	Difference	% Change
Assets	151,242,732	146,901,141	4,341,591	2.96%
Shares	136,063,246	129,898,809	6,164,437	4.75%
Net Worth Ratio	9.90%	10.73%	-0.83%	-7.77%
Loans	55,404,900	46,685,540	8,719,360	18.68%
Members	12,879	12,378	501	4.05%

LOCATIONS

Main Office
1537 Young Street, 3rd Floor
Honolulu, HI 96826
Phone: (808) 973-4311
Fax: (808) 949-0556

Kapolei Branch
889 Kamokila Boulevard
(in the Crossroads at Kapolei)
Kapolei, HI 96707

Pearl City Branch
1140 Kuala Street
(in the Pearl City Gateway
Shopping Center)
Pearl City, HI 96782

Main Police Station
801 South Beretania Street
Honolulu, HI 96813

Pearl City Police Station
1100 Waimano Home Road
Pearl City, HI 96782

The Hawaii Law Enforcement Federal Credit Union is entrusted with creating financial stability and long-term wealth for its ohana by offering competitive services and products that are delivered with aloha in a timely confidential and professional manner.

