



**Hawaii Law Enforcement
Federal Credit Union**
2017 Annual Report



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Foreword

2017 marked the 80th year in which the Hawaii Law Enforcement Federal Credit Union has had the privilege of serving our law enforcement community. It was also a year of significant change for the Credit Union as we worked to bring online more products and services that matter to you, our members. And while we've accomplished much this past year, we aren't stopping there. We will continue to work towards repositioning HLEFCU for the future by building upon our strengths and longevity combined with the latest in technology. It is our goal, after all, to help our members thrive in an ever-changing world while providing convenient service with aloha.



The HLEFCU Story

The Hawaii Law Enforcement Federal Credit Union traces its roots back over 80 years ago to a time when the State of Hawaii was still known as the Territory of Hawaii. Originally named the Honolulu Police Federal Credit Union, HLEFCU was formed by officers of the Honolulu Police Department to serve the financial needs of their fellow officers. And over the years as Honolulu and the Department grew, so did the Credit Union.

As we grew, so products and services evolved, too. We went from simple savings accounts and loans to mobile wallets, mortgages, and more. But it wasn't just our products and services that have changed; our membership mix has transformed over the years as well. So today, in addition to the officers of the Honolulu Police Department and their families, we also serve a myriad of officers and families from a variety of County, State, and Federal agencies from around Hawaii.

As a result, in 2009, we changed our name from the Honolulu Police Federal Credit Union to the Hawaii Law Enforcement Federal Credit Union to better reflect our diversified membership.

Although we've evolved into a vastly different organization today, one thing has remained the same: we have always been, and continue to be, dedicated to serving the financial needs of Hawaii's law enforcement community and their families.

Mission

The mission of the Hawaii Law Enforcement Federal Credit Union is to serve the financial needs of our members by fostering relationships.

Vision

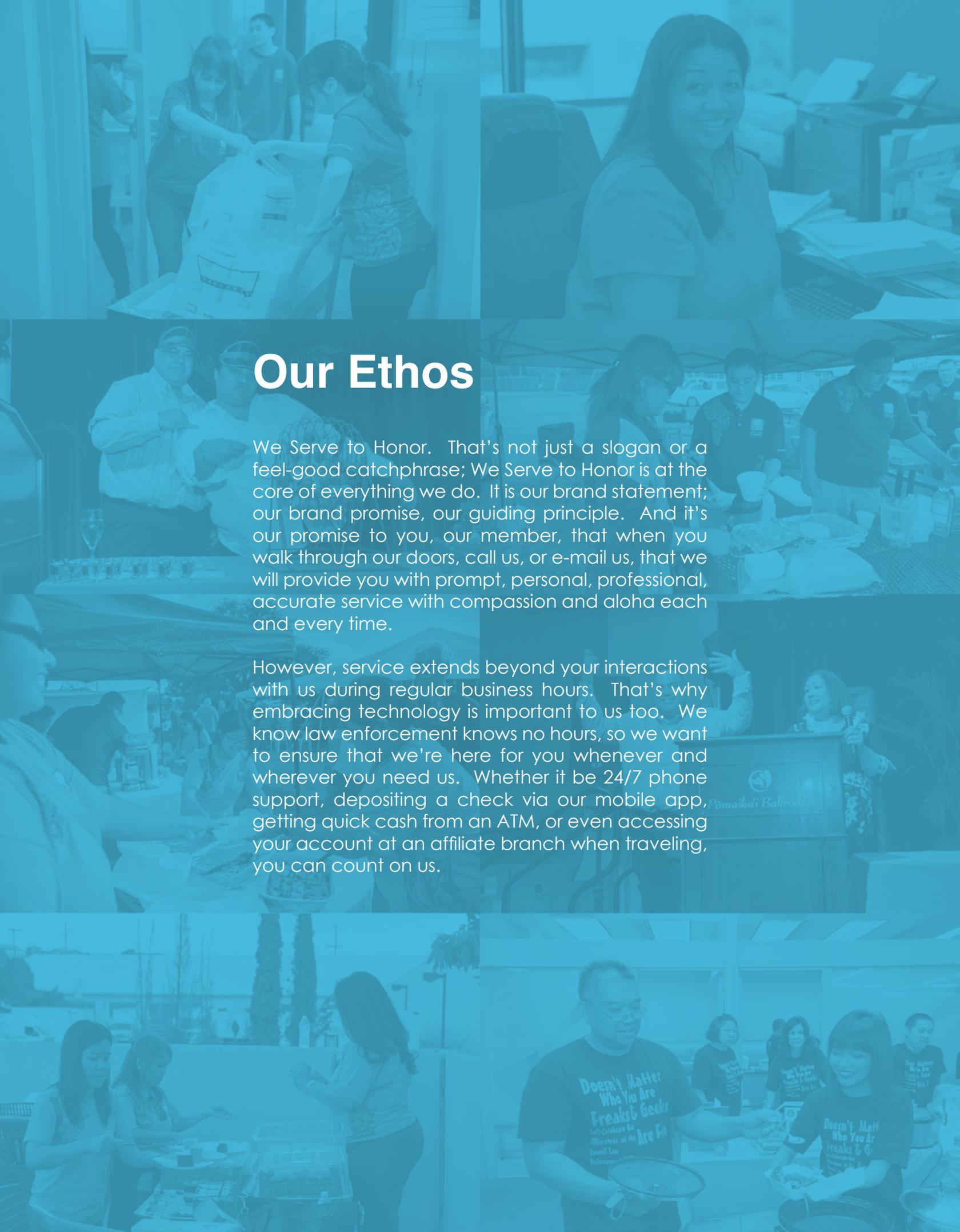
The Hawaii Law Enforcement Federal Credit Union's vision is to be our members' first choice to meet their financial needs.

Brand Statement

We Serve to Honor







Our Ethos

We Serve to Honor. That's not just a slogan or a feel-good catchphrase; We Serve to Honor is at the core of everything we do. It is our brand statement; our brand promise, our guiding principle. And it's our promise to you, our member, that when you walk through our doors, call us, or e-mail us, that we will provide you with prompt, personal, professional, accurate service with compassion and aloha each and every time.

However, service extends beyond your interactions with us during regular business hours. That's why embracing technology is important to us too. We know law enforcement knows no hours, so we want to ensure that we're here for you whenever and wherever you need us. Whether it be 24/7 phone support, depositing a check via our mobile app, getting quick cash from an ATM, or even accessing your account at an affiliate branch when traveling, you can count on us.

Chairperson's Report



In 2017, the Hawaii Law Enforcement Federal Credit Union offered its members another year of financial stability and growth. The Credit Union significantly exceeded our expectations for the year, introducing positive, forward-looking change. This included the addition of new services and technologies, including in-house mortgage servicing, our mobile app, and remote deposit capture. We are gratified to see that this year of innovation resulted in record-breaking activity.

A review of the Statement of Income for 2017 shows growth in assets, shares, and loans. The most notable year-over-year increase was in loans, which grew by 18 percent. This increase means we were able to help more of our members and their families advance toward achieving their financial goals. As a result of improved earnings, our return-on-assets and net worth increased as well. Additionally, our Credit Union Ohana continued to expand, climbing to 14,261 members, the largest membership base to date.

For more than 80 years, the Credit Union has supported the financial needs of the men, women, and families of Hawaii's law enforcement community. However, our Credit Union, the composition, and needs of our membership and our competitive environment have changed over the decades. After all this time, we believed it was time to take a look at our organization's mission and vision. Accordingly, we conducted a careful evaluation of where we stand today in every key area and have adopted updated mission and vision statements to keep our Credit Union focused and relevant going forward.

Of course, all of this wouldn't have been possible without the support of our members. We thank our members for entrusting the Credit Union with solutions to their financial needs. This enduring relationship and positive growth, supported by our hardworking Credit Union managers and staff, ensure the Credit Union can be a solid financial partner, not only for our members today, but for their families and generations to come.

Aloha and Malama Pono,

Russell Ikeda, Chairperson

Mark Nakagawa, Vice-Chairperson

Robert Aton, Treasurer

Frank Fujii, Secretary

Robert Kane, Director

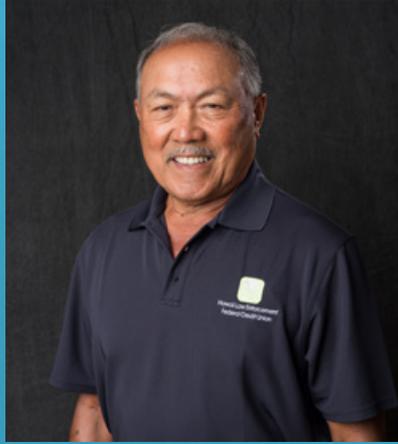
Roy Helepololei, Director

Derrick Tsukayama, Director

Board of Directors



Mark Nakagawa
Vice-Chairperson



Robert Aton
Treasurer



Frank Fujii
Secretary



Robert Kane
Director



Roy Helepololei
Director



Derrick Tsukayama
Director

CEO's Message



Aloha Members and Supporters,

As we enter our 81st year, I am proud to announce that the Hawaii Law Enforcement Federal Credit Union had another record-setting year in 2017. The Credit Union's strong financial performance for the year resulted in the achievement of attaining figures higher than ever before in several key areas:

- Assets grew by \$8.5 million
- Shares grew by \$6.8 million
- Loans grew by \$14.7 million
- Membership increased to 14,261 total members

Most notable among these figures is the 18 percent growth in loans. This number is significant for more than one reason. In addition to breaking previous records, the growth also shows the Credit Union was capably performing its role of enabling members to achieve a better quality of life by funding home improvements, home purchases, tuition payments, new automobiles, and other family essentials. The strength of the Credit Union is also reflected in the year-end net income of \$1,077,873 for 2017.

This financial stability and continued growth afford our Credit Union the opportunity to offer additional benefits for our members, as we did by increasing savings rates twice in 2017. We were also able to introduce enhanced programs and advanced technology:

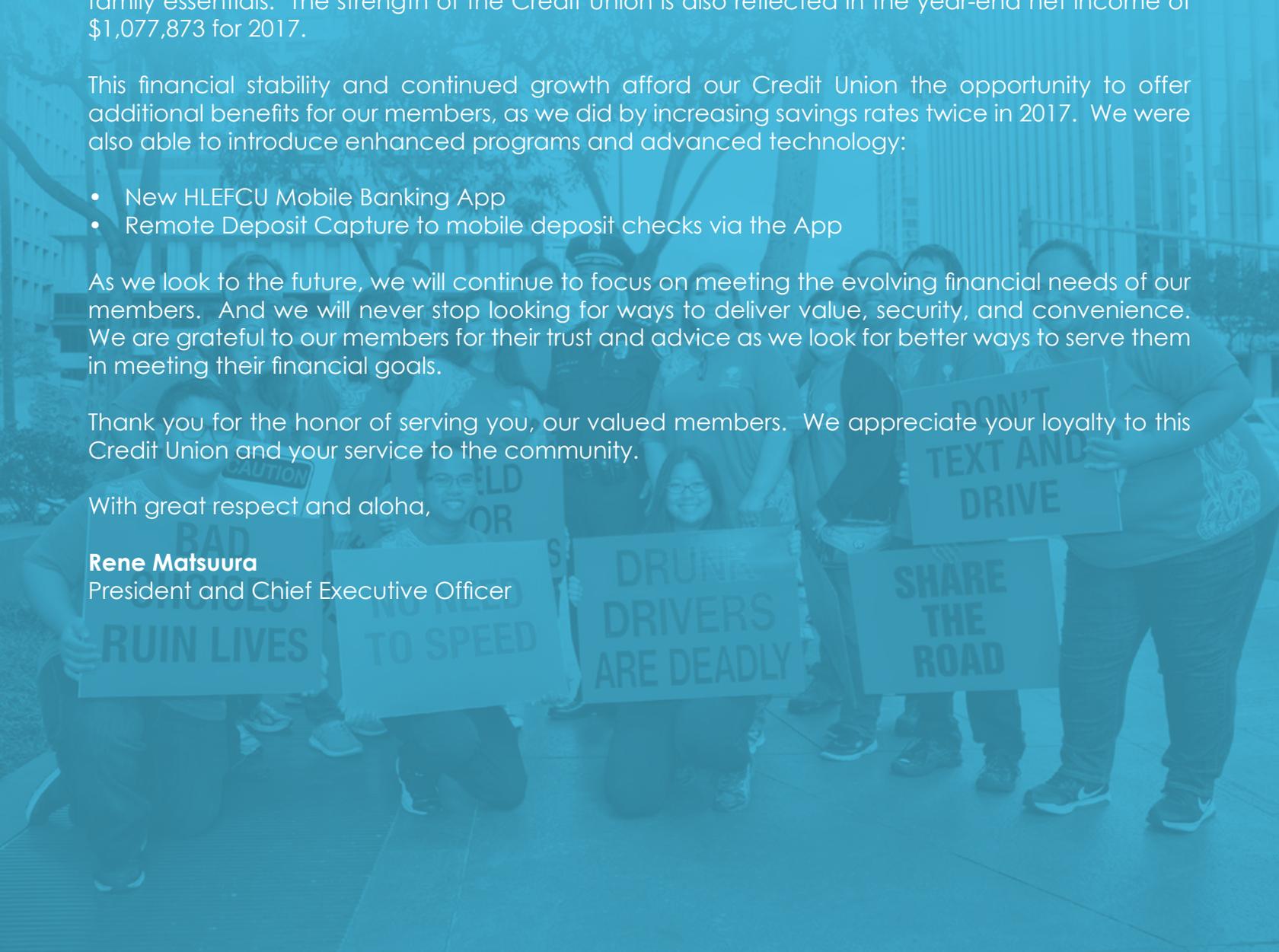
- New HLEFCU Mobile Banking App
- Remote Deposit Capture to mobile deposit checks via the App

As we look to the future, we will continue to focus on meeting the evolving financial needs of our members. And we will never stop looking for ways to deliver value, security, and convenience. We are grateful to our members for their trust and advice as we look for better ways to serve them in meeting their financial goals.

Thank you for the honor of serving you, our valued members. We appreciate your loyalty to this Credit Union and your service to the community.

With great respect and aloha,

Rene Matsuura
President and Chief Executive Officer



Statement of Income

For the period ending December 31, 2017

	2017	2016
Operating Income		
Interest on Loans	3,736,224.89	3,378,567.94
Interest on Investments	1,312,669.04	1,197,498.62
Fee and Charges	253,490.49	262,112.41
Miscellaneous Income	<u>810,588.29</u>	<u>1,077,574.97</u>
Total Income	<u>6,112,972.71</u>	<u>5,915,753.94</u>
Operating Expenses		
Compensation	1,642,586.75	1,615,393.50
Employee Benefits	367,194.94	355,675.55
Travel & Conference	46,182.04	57,891.12
Association Dues	46,671.76	44,304.25
Office Occupancy	552,819.64	547,754.06
Office Operations	636,394.59	697,986.56
Education & Promotion	203,292.50	117,216.02
Loan Servicing	366,858.05	318,086.49
Professional Services	624,024.74	670,408.05
Provision for Loan Losses	55,216.35	756,949.00
Member Insurance	-	-
NCUA Operating Fees	36,565.00	28,171.83
Fed Exam Fees	-	-
Interest on Borrowed Funds	20,778.73	1.08
Annual Meeting	29,965.30	32,000.27
Miscellaneous	<u>73,725.26</u>	<u>87,463.63</u>
Total Operating Expenses	<u>4,702,275.65</u>	<u>5,329,301.41</u>
Income (Loss) from Operations	<u>1,410,697.06</u>	<u>586,452.53</u>
Gain (Loss) on Investments	-	-
Gain (Loss) on Disposal of Assets	(2.00)	92.00
Non-Operating Income (Loss)	-	-
Gain (Loss) on OREO	-	-
Gain (Loss) Rental on OREO	-	-
Net Income (Loss) before Dividends	<u>1,410,695.06</u>	<u>586,544.53</u>
Dividends	<u>332,821.93</u>	<u>257,996.67</u>
Net Income (Loss)	<u>1,077,873.13</u>	<u>328,577.86</u>

We certify, 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.

Treasurer's Report



The Hawaii Law Enforcement Federal Credit Union continued its trend of strong financial performance. The following are some key statistics that demonstrate the strength of the Credit Union, as seen in the remarkable growth in 2017 in assets, shares, loans, and new members. Importantly, the Credit Union increased its net worth by 10.24 percent in 2017, which equates to \$17.3 million in reserves, surpassing the minimum guidelines established by the National Credit Union Administration.

- Assets grew by \$8.5 million (5.29%) to \$168,617,185
- Shares grew by \$6.8 million (4.075%) to \$150,742,512
- Loans grew by \$14.7 million (18.23%) to \$95,482,728
- Membership grew by 396 (2.86%) to 14,621

On behalf of the Credit Union's Board of Directors, management team, and dedicated staff members, we appreciate our members' loyal support, which makes this financial stability possible. We take great pride in our 80 years of service as a trusted financial partner and look forward to continuing to support our members and their families.

Robert Aton, Treasurer

Financial Comparison

For the period ending December 31, 2017

Category	2017	2016	Difference	% Change
Assets	168,617,185	160,152,686	8,464,499	5.29%
Shares	150,742,512	143,928,605	6,813,907	4.73%
Loans	95,482,728	80,759,749	14,722,980	18.23%
Net Worth Ratio	10.24%	10.10%	0.13%	1.31%
Number of Members	14,261	13,865	396	2.86%

Supervisory Committee Report



The Supervisory Committee is responsible for Ensuring that the Hawaii Law Enforcement Federal Credit Union is financially stable and well-positioned to capitalize on opportunities for future growth. We independently evaluate all aspects of the Credit Union's operations and confirm it is being managed in a sound and proper manner. We achieve this through recurring audits and regular reviews of internal controls, policies, and procedures.

In addition, at the Committee's direction, CU Pacific Audit Solutions continues to audit the Credit Union's financial records and operations periodically.

Throughout their evaluations of 2017, the Committee did not detect any anomalies.

Cary Okimoto, Chairperson
Christopher Park, Secretary
Nathan Matsuoka, Member
Allan Lewis, Member
Carlene Lau, Member

Credit Committee Report

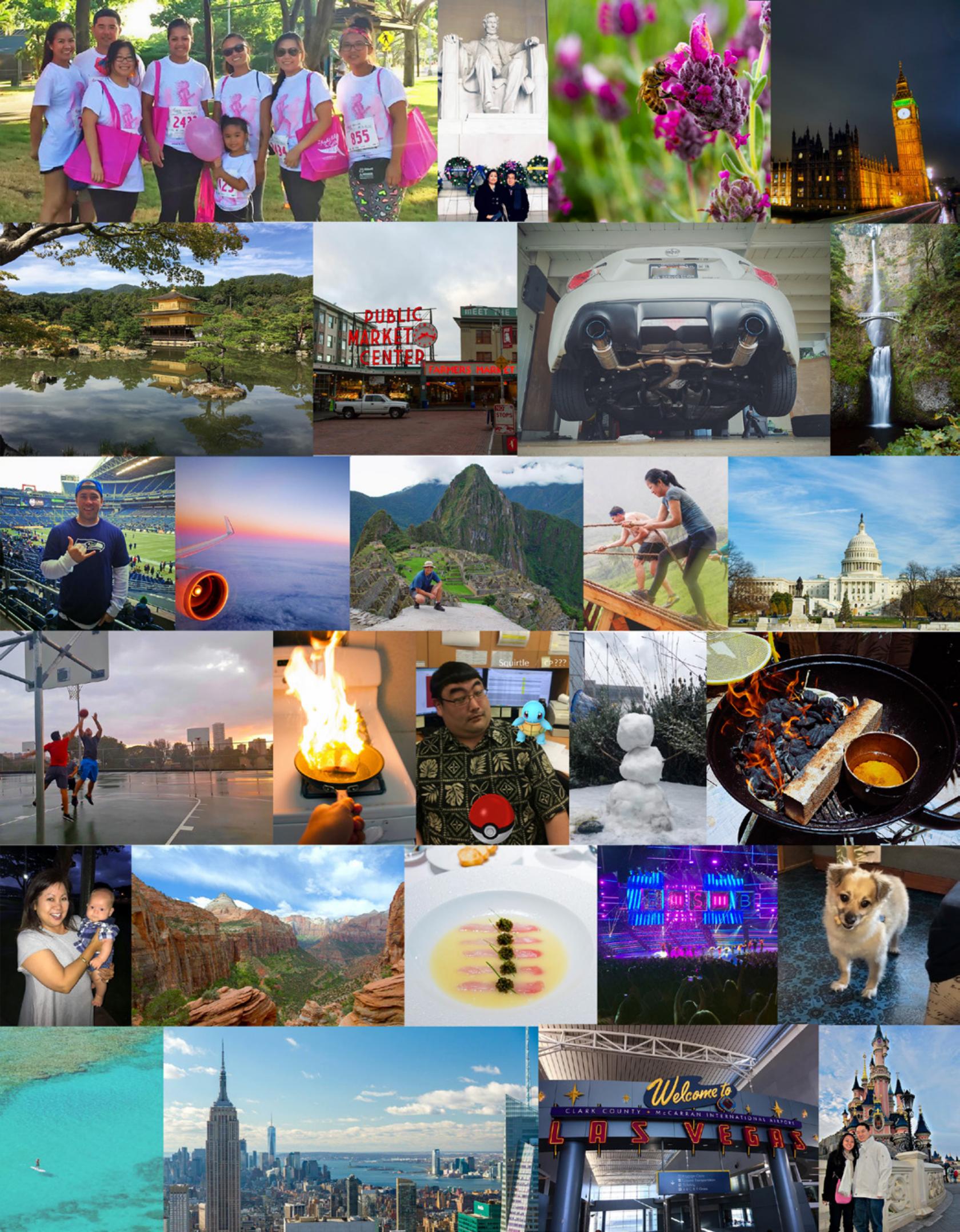


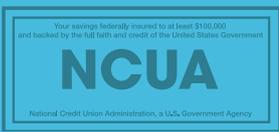
The Hawaii Law Enforcement Federal Credit Union is dedicated to helping improve the lives of our members and their families by providing loans at a fair and equitable price. And in that regard, we were pleased to offer an expanded level of support in 2017, by providing our members with a record number of loans. As a result, loan growth far exceeded our expectations for the year, and provided an increase of 18.23 percent, or nearly \$14.7 million, to our loan portfolio.

We ended 2017 with \$95.5 million in loans being provided to our members and again set a new record for the third year in a row.

With a steadily growing loan portfolio and the expertise of our Loan Team, the Credit Union is proud to be in a strong financial position. We look forward to continuing to offer loan products and financial support for more current and new members in our law enforcement community.

Kent Harada, Chairperson
Rene Matsuura, Member
Radford Real, Member





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