



HICKAM
FEDERAL
CREDIT
UNION

ANNUAL REPORT

2017



A Vision For The Future



Board of Directors



Ray Romero
Chairman



Carol J. Ebia
Vice Chairperson



Abigail K. Nishida
Chief Financial Officer



Sharon K. Miyazawa
Secretary



Larry Damewood
Director



Michael Meaney
Director



Tina Mendes
Director



Cheryl Suzuki
Director



Adrian Yunson
Director

Pearl City Branch and Corporate Headquarters, 1260 Kuala Street



Chairman's Message



2017 was another remarkable year of accomplishments and successes that was culminated by the modernization and relocation of the Hickam Federal Credit Union Mililani Branch within the Town Center of Mililani and the completion of the much-anticipated Pearl City Branch and Corporate Headquarters facility. These two projects alone were incredible examples of perseverance, hard work, and outstanding teamwork. Although

the undertakings were huge, we proudly opened these modern branches with the goal of better serving our ever growing and evolving membership.

After another year of solid financial growth and the opening of the branches, I can truly say that I am honored to belong to such a great financial cooperative as the Hickam Federal Credit Union. Clearly, we are a strong and vibrant financial institution that operates with vision, well-executed plans, and a shared commitment of serving our membership well.

I am pleased to report that the Hickam Federal Credit Union remains among the largest credit unions in Hawaii with almost \$600 million in assets. More importantly we are strong, well capitalized, and well positioned to ensure that we will be around to serve our membership for another 80 years. The credit union's sound financial position is due to a commitment of controlling operating expenses, streamlining resources, building revenue and reserves, and exercising prudent business practices that ensures the safety, soundness, and security of the credit union.

The Board of Directors, management, and staff remain committed to moving the credit union in a strategic direction that continues to add services and value to the membership. We take great pride in the growth and success of the Hickam Federal Credit Union and we will remain focused on serving you and your family with all of your savings and loan needs.

On behalf of the volunteer Board of Directors, thank you for your continued support, loyalty, and cooperative spirit that has positioned Hickam Federal Credit Union as one of the best credit unions on Oahu and in Hawaii.

Sincerely,

Ray Romero
Ray Romero
Chairman

Mililani Branch relocation and modernization.



President's Message

Realizing a vision is always fulfilling, and in 2017 the relocation of our Mililani Branch and completion of the flagship Hickam Federal Credit Union Pearl City Branch and Corporate Headquarters facility were definitely satisfying. The long-term planning and well-coordinated project management helped us realize our vision of conveniently positioning our modern-looking and efficient branches at the crossroads of Central and West Oahu. These achievements marks another milestone in the proud history of the credit union and paves the road to serving you, our members, well into the future.

In the over 35 years of my journey with the Hickam Federal Credit Union, I have witnessed many proud moments from the expansion of our field of membership to a community based charter, the expansion to six branches, the addition of many technological conveniences and services, and the growth to being one of the largest credit unions in Hawaii with over 47,500 members.

We could not have achieved all of this without the leadership of visionary volunteer Board of Directors and the dedication of exceptional management and staff of the Hickam Federal Credit Union throughout its history. I have witnessed a lot of change over the decades, but our mission to serve and core operating philosophy of making a difference in our members' lives have remained steadfast and represents the cornerstone of our achievements and success.

Helping you to realize your own vision and dream of a better financial future for you, your family, and friends is also fulfilling for us. We are truly appreciative of the loyal support from you, our members that has resulted in you entrusting us to safeguard over \$514 million in Share deposits of your hard-earned savings and over \$276 million for your auto, personal, and real estate loan needs. We value your membership. With your continued loyalty and cooperative support, we will continue to grow and prosper.

On behalf of our volunteer Board of Directors and other officials, management, and staff, thank you for allowing us to serve you and your family with a difference.

Sincerely,

Gerard Auyong
President & CEO



Chief Financial Officer's Report

It was reassuring to see how positive the U. S. economy ended in 2017. The stock markets surge towards the end of the year was impressive. Consumer spending and business investments trended up. Unemployment was at its lowest level since 2001. And, the housing market showed steady growth. All of this good economic news was bolstered by stronger consumer confidence and the optimism of fiscal reforms that would benefit individuals and companies.

I'm pleased to report that the Hickam Federal Credit Union once again ended the year in a strong, well-capitalized position. We are pleased that many loyal members and new members turned to the Hickam Federal Credit Union for their auto financing, personal borrowing, child's education, and home improvement needs. For 2017, the credit union funded over 1,425 vehicle loans totaling over \$36.8 million; over 2,165 personal loans for over \$22.8 million; and over 160 home equity lines of credit totaling more than \$19.7 million. All of this new loan volume in 2017 brought the credit union's Total Loan Balance at year end to \$276.8 million or an increase of 6.6% over the previous year.

The credit union's Assets and Equity continued to grow. For 2017, Total Assets increased \$10.7 million and ended the year at \$575.8 million. And Members' Equity grew 4.2% to \$55.7 million. In 2017, Net Income totaled \$2.2 million and the credit union's Net Worth Ratio increased to a fiscally sound position of 9.67%.

As we continue to grow the credit union, we are mindful of how intertwined the local, national, and global economies are. We will continue to prudently plan the long-term growth of the credit union and ensure its financial strength well into the future. Thank you for your continued support as you help us to grow and allow us to make a difference in your life.

Sincerely,

Abigail Nishida
Chief Financial Officer

Statement of Financial Condition

As of December 31, 2017 (unaudited)

ASSETS	2017
Loans	
net of allowance for loan losses	\$275,470,296
Cash and cash equivalents	4,987,283
Investments	251,746,665
Property and equipment, net	36,885,522
All other assets	6,753,062
TOTAL ASSETS	\$575,842,828

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES	
Members' shares	\$514,317,138
Notes payable	0
Accounts payable	4,755,023
All other liabilities	1,076,283
TOTAL LIABILITIES	\$520,148,444
MEMBERS' EQUITY	
	55,694,384
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$575,842,828

Statement of Income

For the year ending December 31, 2017 (unaudited)

	2017
Interest on loans	\$11,201,043
Income from investments	3,825,314
TOTAL INTEREST INCOME	15,026,357
Dividends paid on members' shares	2,358,823
Interest on borrowed funds	0
TOTAL INTEREST EXPENSE	2,358,823
NET INTEREST INCOME	12,667,534
Provision for loan losses	1,503,426
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	11,164,108
Compensation	4,799,740
Employee benefits	1,548,737
Travel & conference	174,074
Office occupancy	1,131,503
Office operations	2,893,003
Education & promotion	221,887
Loan servicing expense	967,593
Professional & outside service	872,463
Member insurance	0
Operating fees	129,017
Annual meeting	114,003
Other expenses	97,936
TOTAL OPERATING EXPENSE	12,949,956
TOTAL OTHER OPERATING INCOME	3,985,833
NET OPERATING INCOME	2,199,985
Gain/(loss) on disposal of assets	(2,820)
Gain/(loss) on sale of investment	0
Other non-operating income/(expense)	0
NET INCOME	\$2,197,165

Supervisory Committee



Robert Davis
Chairman

Curtis Popa
Secretary

Frederick Mark
Member



Supervisory Committee Report

The Supervisory Committee is appointed by the Board of Directors and is tasked with the responsibility of ensuring that financial reporting requirements are met and that the practices and procedures established by the Board and Management are sufficient to safeguard members' assets.

To assist the committee in carrying out these responsibilities, Kwock & Company CPA was engaged to perform an independent financial audit of the credit union. In addition to fulfilling a regulatory requirement, the annual audit helps to ensure that policies and procedures are established and followed, and that the credit union is operating in accordance with current laws, regulations and bylaws as adopted by the Board of Directors. Also assisting the committee is an internal auditor who performs audits and periodic reviews of credit union operations under the direction of the Supervisory Committee.

While the audit for the year ended December 31, 2017 is underway, I am pleased to report that Kwock & Company CPAs concluded its review of the Hickam Federal Credit Union financial statements as of the year ended December 31, 2016, and assisted the Committee in performing the required verification of members' account balances. Kwock & Company reported that the financial statements present fairly, in all material respects, the financial position of the credit union and the results of its operations and cash flows in accordance with generally accepted accounting principles.

On behalf of the Supervisory Committee, I would like to thank the credit union's Board of Directors, Management, and staff for their assistance and extend my deepest appreciation to the members of Hickam Federal Credit Union for their continued support and loyalty.

Sincerely,

Robert Davis
Supervisory Committee Chairman



HICKAM
FEDERAL
CREDIT
UNION

We Make a Difference in Our Members' Lives

www.hickamfcu.org

P. O. Box 30025
Honolulu, Hawaii 96820

(808) 423-1391 (Oahu)
Toll-free (800) 432-4328
(Continental U. S. & Neighbor Islands)

BRANCHES

Hickam Branch

Joint Base Pearl Harbor-Hickam

Kahala Mall Kiosk Branch

Kahala Mall

Kapolei Branch

The Marketplace at Kapolei

Mililani Branch

The Town Center of Mililani

Pearlridge Branch

Pearlridge Center Uptown

Pearl City Branch

1260 Kuala Street