
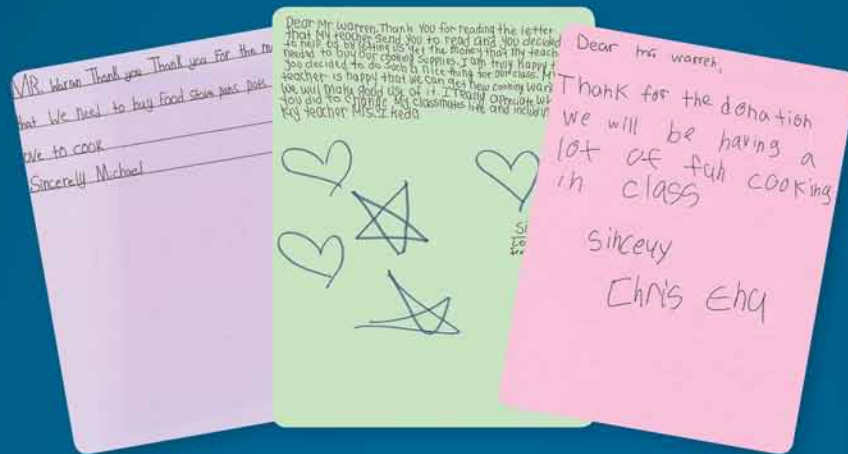


2012
ANNUAL REPORT

providing
FINANCIAL SOLUTIONS
TO IMPROVE
THE LIVES OF OUR
members

HAWAII  STATE
FEDERAL CREDIT UNION

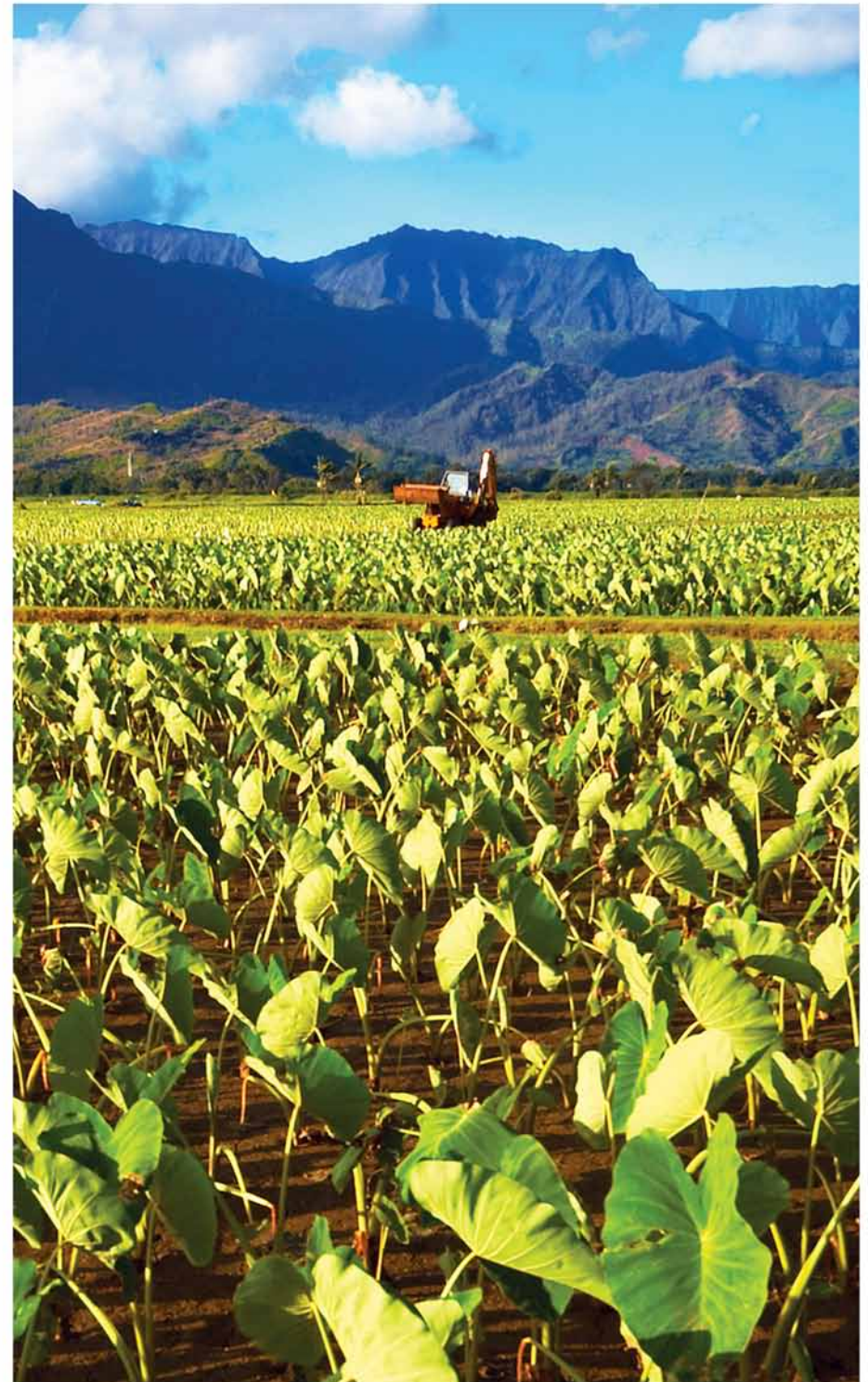
Federally insured by NCUA 



“My students are very excited about being able to get new supplies for our cooking lessons. These lessons are essential to assist my students in learning new skills as well as accomplishing many of their Individualized Education Program (IEP) goals and objectives.”

*~ Shariann Ikeda
Teacher, Kailua High School*

Hawaii State FCU's Investing in Education Grant has donated over \$97,278 to assist teachers in the Department of Education obtain much needed supplies, books, furniture, electronics equipment and other basic necessities for their classrooms.





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Message from Governor Neil Abercrombie

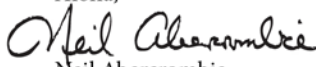


On behalf of the people of Hawai'i, I extend a heartfelt aloha to the Hawai'i State Federal Credit Union (HSFCU), its employees and its nearly 77,000 credit union members.

Since its founding in 1936, HSFCU as a not-for-profit cooperative, has provided a full range of financial services throughout the State of Hawai'i, promoting community development, thrift, and financial and social responsibility.

I know that just as HSFCU helps its membership by "providing financial solutions to improve their lives," that HSFCU members and employees work hard to improve their community and the State of Hawai'i.

I send best wishes to the Hawai'i State Federal Credit Union, and my hopes for much success and prosperity to its many members.

Aloha,

Neil Abercrombie
Governor, State of Hawai'i



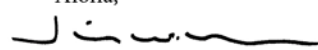
Message from Mayor Kirk Caldwell

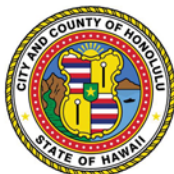


Congratulations to the members, officers, and Board of Directors of the Hawaii State Federal Credit Union on another successful and productive year.

Since 1936, your organization has actively supported many community charitable events and programs while helping thousands of Hawaii residents to achieve their financial goals and dreams. Your full range of outstanding financial services, offering convenience, high-yielding interest rates for saving and checking accounts, on-line banking service, bank-by-phone, and a member service call center, embody your strong commitment to provide the highest level of service to your members.

On behalf of the people of the City and County of Honolulu, I extend sincere best wishes for continued success in the new year.

Aloha,

Kirk Caldwell
Mayor, City and County of Honolulu



Chairman's Message to Members



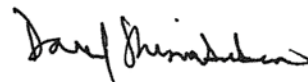
Aloha Kakou,

On behalf of the Board of Directors, I am pleased to report that 2012 was another successful year for our Hawaii State Federal Credit Union. Here are some of the highlights of our busy year:

- Hawaii State Federal Credit Union continues to retain its role as a solid, strong and healthy financial institution. Assets increased \$43.6 million to \$1.3 billion and earnings were strong at \$3.9 million.
- With membership now topping 77,000, HSFCU remains one of the largest credit unions in Hawaii. Our Board members continue to support a long tradition of providing high quality service and value for our members.
- In April 2012, the Board hired a new President/CEO, Andrew Rosen. Andrew comes to us from Bank of the West and has over 20 years of experience in the banking industry. The Board was impressed with Andrew's commitment to quality customer service and is looking forward to continued success for our credit union under Andrew's leadership. Please join me in welcoming Andrew to our credit union team.
- For those of you in Windward Oahu, I hope you have had a chance to visit our new branch in the Kaneohe Bay Shopping Center. Our branch manager is Derek Kokubun. He and his friendly team provide teller and loan services, a coin counting machine, deposit boxes, notary and many other member services.
- We also opened a new full service branch in the Kapolei Shopping Center for our Leeward coast members. Our branch in Kapolei is managed by Flo Wassum, who joined Hawaii State FCU as a call center financial services specialist in 2006.
- Keeping up with technology trends is always a challenge. After several years of planning and commitment, HSFCU's investment in a new upgraded computer system is now in place. Our Chief Information Officer, Joel Kumabe, and his staff are still working out some minor kinks; however, the more secure banking environment and upgraded features including mobile devices will provide many options for our growing group of on-line customers.
- We also continued to help our members and support the community we serve. We awarded \$30,000 in scholarships via our 17th Annual Hawaii State FCU Scholarship Program, raised more than \$13,000 for the Alzheimer's Association and delivered thousands of pounds of food to homebound seniors through our Cheer on Wheels program.
- At Hawaii State Federal Credit Union, our goal has always been to offer the finest financial options to our members. Last year, by providing great rates and innovative services, we helped thousands of local families reach their financial goals while also delivering the personal service you have come to expect. In fact, our great rates and low fees saved our members more than \$7.7 million versus local banks.

While 2012 was profitable, we are expecting that 2013 will present some fiscal and economic challenges for many financial institutions. Fortunately, our strong capital base will allow us to weather these tough times, without any impact to the products and services we offer our members. We plan to continue offering great products at competitive prices, to help and support our members.

The Board and I want to thank you for your loyal support and look forward to a successful 2013.


David Shimabukuro
Chairman

Board of Directors



David Shimabukuro
Chairman



William Milks
Vice Chairman



Russel Yamashita
Treasurer



David "Nalu" Akaka
Secretary



Louise Akamine
Director



Lowell Kalapa
Director



Kenneth Nakamatsu
Director

Senior Management



Andrew Rosen
President / CEO



Rachael Sasaki
Executive Vice President, Admin. Services



Craig Warren
Executive Vice President, Sales & Services Support



Elliot Hatico
Sr. Vice President Sales & Branch Operations



Edmund Pang
Sr. Vice President, Chief Financial Officer



Joel Kumabe
Sr. Vice President/ Chief Information Officer



Nathan Chang
Vice President Credit Administration



Cindy Ching
Vice President Support Services



Patricia Hao
Vice President Human Resources



Jon Nakamoto
Vice President Internal Audit

Supervisory Committee Report

The Supervisory Committee is pleased to report that Hawaii State Federal Credit Union continued to operate in accordance with sound financial principles and within applicable laws and regulations in 2012. A copy of the audited financial statements is available for viewing at the credit union's administrative office.

A supervisory committee is required by the Federal Credit Union Act. Committee members are appointed by the Board of Directors and are responsible for ensuring the credit union's records are properly maintained; that policies established by law and by the board of directors are followed; and that members' assets are safeguarded.

To fulfill our responsibilities, we contracted the certified public accounting firm of PKF Pacific Hawaii LLP to perform an independent audit of the credit union's financial statements as of December 31, 2012; contracted with information systems specialists to review the credit union's management of technology services; assigned two full-time internal auditors to conduct audits of the credit union's operations; worked with the National Credit Union Administration's (NCUA) examiners; monitored the activities of the Board of Directors and the Asset/Liability Committee; investigated member complaints; participated in educational programs; verified closed accounts; and completed special investigations or studies as we considered necessary.

We would like to express our gratitude to the credit union's Board of Directors and staff for their support in helping us to serve you in 2012.

Derrick Inouye
Chairman, Supervisory Committee

Supervisory Committee



Derrick Inouye
Chairman



Manu Kaiama
Secretary



Joshua Strickler
Member

John Nuha
Member
(Not pictured)



Year in Review

2012 was a year of excitement, innovation, and growth for Hawaii State Federal Credit Union. New branches, new technology, and upgrades to our existing services defined the year. In January, the Kapolei branch moved to a larger, more convenient location at the Kapolei Shopping Center. The move provided our members in Leeward Oahu access to services previously unavailable, including safe deposit boxes, free Coinstar coin counting, shared branching, Saturday and evening hours, and service from our financial service specialists. In September, the Kaneohe branch moved to a new home as well at the Kaneohe Bay Shopping Center. The new location gave our members on the Windward side of the island a more convenient and spacious location and ample parking.

The credit union also performed a necessary upgrade to our computer processing systems this past year that improved many of our services. The most notable change was the introduction of our new Online Banking system that provides members with enhanced security, free budgeting and account management software, the ability to transfer funds between Hawaii State FCU and other financial institutions in the United States free of charge, and an improved bill payment system. Accessing your Hawaii State FCU accounts online is now safer and easier than ever.

Our commitment to education and community development continued throughout the year as well. In January, we launched our 17th annual scholarship program that awarded \$30,000 to 15 Hawaii State FCU members and family members seeking higher education. Since its inception, this program has invested nearly half a million dollars toward the education of some of Hawaii's best and brightest students. In February, we once again sponsored LifeSmarts a high school skills competition that teaches financial literacy. In August we donated hundreds of pounds of school supplies to the Kapolei Rotary Club in support of their annual school supply drive. In September and October we invested in the success of our public schools by providing \$25,000 in grant funds to 56 Department of Education teachers to help them purchase classroom supplies and fund programs that enhance student achievement.

Our credit union also took the time to contribute to charitable causes. In September, Hawaii State FCU was the statewide sponsor for the Walk to End Alzheimer's. Hawaii State FCU members, employees, and volunteers worked together throughout the year to raise over \$13,000 for this important cause. In December we donated thousands of pounds of food and household supplies to homebound seniors in Kakaako, Pearl City, and Kaneohe and hundreds of pairs of thermal socks to patients at the Leahi Hospital in Kaimuki and the Kaunoa Senior Center on Maui as part of our annual Cheer on Wheels program.

Our credit union also enjoyed another financially sound and stable year. Our assets increased \$43.6 million to \$1.3 billion and our net worth rose 2.8% percent to \$143.2 million. Our net worth to assets ratio, a key indicator of financial strength, was 11.2 percent and earnings were strong at \$3.9 million. Membership grew to nearly 77,000 members. Always focused on creating value for members, in 2012 we saved our members more than \$7.7 million through lower fees and better rates than local banks.

At Hawaii State FCU we owe our success to the loyal support of our member owners. We look forward to another year of growth and innovation. We hope you join us for another successful year.



Financial Statements

Statement of Financial Condition (Unaudited)

ASSETS	December 31,	
	2012	2011
Loans, Less Allowance for Loan Losses of \$8,317,297 in 2012 and \$6,856,739 in 2011	\$ 479,567,710	\$ 550,667,461
Cash and Cash Equivalents	\$ 151,858,064	\$ 130,007,033
Investments		
Available for Sale	\$ 609,040,079	\$ 455,465,696
Held to Maturity	1,637,591	2,343,172
Restricted	2,159,300	2,198,300
Total Investments	\$ 612,836,970	\$ 460,007,168
Certificates of Deposit	\$ -	\$ 60,099,000
Other		
Accrued Income Receivable	3,083,653	3,839,064
Property and Equipment, Net Depreciation	16,892,788	16,705,123
National Credit Union Share Insurance Fund (NCUSIF)	10,923,966	10,663,185
Other Assets	4,409,982	3,935,442
Total Other	\$ 35,310,389	\$ 35,142,814
Total Assets	\$ 1,279,573,133	\$ 1,235,923,476

Liabilities, Shares and Equity

Accounts Payable & Other Liabilities	\$ 11,836,603	\$ 6,745,420
Total Shares	\$ 1,117,868,333	\$ 1,085,669,957
Equity		
Regular Reserves	29,435,000	29,435,000
Other Reserves	25,500,000	25,500,000
Undivided Earnings	88,301,520	84,400,358
Accumulated Other Comprehensive Income	6,631,677	4,172,741
Total Equity	\$ 149,868,197	\$ 143,508,099
Total Liabilities, Shares & Equity	\$ 1,279,573,133	\$ 1,235,923,476

Federally insured by NCUA

Financial Statements

Statement of Income (Unaudited)

	December 31,	
	2012	2011
Interest Income		
Interest on Loans	\$ 29,110,158	\$ 31,658,494
Income from Investments	9,246,753	12,465,745
Total Interest Income	\$ 38,356,911	\$ 44,124,239
Interest Expense		
Dividends Paid to Members	5,047,014	8,971,136
Interest on Borrowed Funds	1	2
Total Interest Expense	\$ 5,047,015	\$ 8,971,138
Net Interest Income	\$ 33,309,896	\$ 35,153,101
Non-Interest Income	\$ 6,946,029	\$ 6,757,898
Non-Interest Expense		
Compensation and Employee Benefits	13,635,869	13,210,571
Office Operations	5,705,343	4,966,115
Professional and Outside Services	5,174,330	4,768,324
Provision for Loan Losses	3,975,299	6,637,000
Office Occupancy	2,370,956	2,014,717
Loan Servicing	1,708,190	1,607,317
Promotions & Advertising	1,471,303	1,210,008
NCUA Assessments	1,037,777	2,665,796
Member Insurance	343,612	303,166
NCUA Operating Fee	248,704	240,137
Annual Meeting	159,640	114,427
Training	148,389	144,653
Association Dues	143,033	118,660
Other Operating Expenses	446,615	273,703
Total Non-Interest Expense	\$ 36,569,060	\$ 38,274,594
Income from Operations	\$ 3,686,865	\$ 3,636,405
Non-Operating Income (Loss)		
Other	214,297	(925,623)
Total Non-Operating Income (Loss)	\$ 214,297	\$ (925,623)
Net Income	\$ 3,901,162	\$ 2,710,782

Statement of Reserves and Undivided Earnings (Unaudited)

	2012	2011
Balance as of January 1	\$ 143,508,099	\$ 136,597,771
Net Income	3,901,162	2,710,782
Other Accumulated Comprehensive Income (Expense)	2,458,936	4,199,546
Balance as of December 31	\$ 149,868,197	\$ 143,508,099

Locations and Access

Oahu Branches

MAIN BRANCH

560 Halekauwila Street
Monday to Friday - 7:30am to 5:00pm
State Paydays - 7:00am to 5:00pm

ALI'I BRANCH

1099 Alakea Street, Suite 100
Monday to Friday - 7:30am to 5:00pm
State Paydays - 7:00am to 5:00pm

KAIMUKI BRANCH

3221 Waiālae Avenue, Suite 16-B6
Monday to Friday - 8:00am to 5:00pm
Saturday - 9:00am to 1:00pm

KANEOHE BRANCH

46-047 Kamehameha Highway, #7
Monday to Friday - 9:00am to 6:00pm
Saturday - 9:00am to 1:00pm

KAPOLEI BRANCH

91-590 Farrington Highway, Suite 140
Monday to Friday - 9:00am to 6:00pm
Saturday - 9:00am to 1:00pm

MILILANI MAUKA BRANCH

95-1095 Ainamakua Drive, #9
Monday to Friday - 9:30am to 6:30pm
Saturday - 9:00am to 1:00pm

PEARLRIDGE BRANCH

98-150 Kaono Street, #C101
Monday to Friday - 9:00am to 6:00pm
Saturday - 9:00am to 5:00pm

Maui Branch

KAHULUI BRANCH

425 Koloa Street, #101B
Monday to Friday - 8:30am to 4:30pm
Saturday - 9:00am to 1:00pm

*All branches are closed on holidays
observed by the State of Hawaii*

ATM Locations

AAFES Building - 919 Ala Moana Blvd.

State Capitol
Chamber Level, 415 S. Beretania St.

Queen Liliuokalani Building - 1390 Miller St.
Off Punchbowl, across Queens Hospital

Kalanimoku Building - 1151 Punchbowl St.
Between S. King and Beretania St.

Leiopapa A Kamehameha Building
235 S. Beretania St.
Corner of Beretania and Alakea St.

Keelikolani Building - 830 Punchbowl St.
Corner of Punchbowl and Halekauwila St.

Kinau Hale (Department of Health)
1250 Punchbowl St.
Corner of Punchbowl and Beretania St.

Kakuihewa (Kapolei State Office Building)
601 Kamokila Blvd., 2nd Floor

Ronald T. Y. Moon Judiciary Complex
4675 Kapolei Pkwy.

UH John A. Burns School of Medicine
651 Ilalo St.

Kaneohe Branch - 46-047 Kamehameha Hwy., #7

Pearlridge Branch - 98-150 Kaono St., #C101

Main Branch - 560 Halekauwila St.

Alii Branch - 1099 Alakea St., Ste. 100

Mililani Mauka Branch
95-1095 Ainamakua Dr., #9

Kaimuki Branch - 3221 Waiālae Ave., Ste. 16-B6

Kahului Branch - 425 Koloa St., #101B

Kapolei Branch - 91-590 Farrington Hwy., Ste. 140

Contact Us

MEMBER SERVICE CALL CENTER

Oahu: (808) 587-2700
Toll Free: 1(888) 586-1056
Monday to Friday - 7:30am to 7:00pm
Saturday - 9:00am to 5:00pm

MAILING ADDRESS

P.O. Box 3072
Honolulu, Hawaii 96802

providing
EACH MEMBER
WITH
EXTRAORDINARY
service

HAWAII  STATE

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www.HawaiiStateFCU.com