



2015 ANNUAL REPORT

☆☆☆☆☆
--- a year of ---
Outstanding
PERFORMANCE

Sean Miller
The University of Arizona®
Head Men's Basketball Coach



Our members say it best:
Great Rates. Exceptional Service. Convenience. Saving Money.



Ryan



Erin



Joseph



Linda



Jack



Carolyn

SUPERVISORY COMMITTEE REPORT

Submitted by Robert Shaub, Supervisory Committee Chairman

Your Hughes Federal Credit Union Supervisory Committee is assigned many vital responsibilities which we take seriously to ensure that each credit union member's interests are protected. These include but are just not limited to the following:

- *Retention of a reputable accounting firm for the independent annual Credit Union audit.*
- *Overseeing the performance of outside agency audits including those for the Bank Secrecy Act, Office of Foreign Assets Control, and other Federal regulations.*
- *Attend the monthly board meetings.*
- *Make branch visits.*
- *Assure timely pickup of Supervisory Committee mail and Credit Union returned mail for review.*
- *Addressing member concerns and ensuring a timely response is given for each.*
- *Ensuring that staff is receiving required and continuing training to do a high quality job for each Credit Union member.*

These are a few of the required activities that your Supervisory Committee performs to ensure that Hughes Federal Credit Union remains a financially sound institution with continuing growth for its current and future members.

Your Credit Union continues to receive high ratings in all categories by our auditors and the National Credit Union Administration (NCUA), our federal

regulator. This could not have been possible without the discipline, commitment, and work ethic of the entire Credit Union staff. We are proud of your efforts and thank you for the dedication to your Credit Union.

We would like to acknowledge the excellent work completed every day by the Hughes Federal Credit Union internal audit team that ensures continuing compliance with the many rules and regulations.

Hughes Federal Credit Union's financial condition continues to remain strong with even greater growth projected into the future. With the unparalleled commitment of the board, supervisory committee, Credit Union employees and management team, we will continue to perform at a high standard for our Credit Union members today and tomorrow.

ENTERTAINMENT AT 64TH ANNUAL MEETING

The Credit Union is pleased to present singers Katherine Byrnes, Janée Page and Crystal Stark as entertainment at our 64th Annual Meeting performing their tribute to singer, songwriter and vocalist Carole King in "Queens of King".

Conceived by vocalist Katherine Byrnes, this show was originally performed for Invisible Theaters' "Sizzling Summer Sounds" and was named by IT's Executive Director Susan Claussen. It features hit songs written by Carole King over her long and continuing career such as "Will You Still Love Me?", "Way Over Yonder" and "You've Got a Friend" and others.

Katherine Byrnes wrote and arranged the show. She studied under Jeff Haskell at the University of Arizona and continues to perform with him, as well as with her own group Sweet Ghosts and several others.

Her vocal renditions are well known in the US, and in China where she sang a well known song in perfect Mandarin.

Crystal Stark, who also studied under Jeff Haskell, is one of Arizona's most popular vocalists performing solo as well as with several production companies. And who can forget her outstanding run with "American Idol"? She also coached this year's



Janée Page, Katherine Byrnes and Crystal Stark

contestants as a special correspondent to teach how the show operates and what to expect.

Janée Page brings 8 years experience with The Gaslight Theatre to the team. She has played and sung many parts in her career, is an enviable singer and actress, and is very versatile.

Together the three part harmony, song selection and narrative about Carole King's life story bring you a most memorable and enjoyable afternoon.

NOMINATING COMMITTEE REPORT

Submitted by Mike Goeltz, Magda Campbell and Carol Romero, Nominating Committee

The Nominating Committee submitted the following names to serve on the board of directors. There are three openings on our board. Terms are for three years. In accordance with the Hughes Federal Credit Union bylaws, the election will not be conducted by ballot since there is only one nominee for each position to be filled. Therefore, there will be no ballots cast at the meeting. No nominations are accepted from the floor.

2016 Board Candidates



Ashesh Bhalala*

Ashesh Bhalala has been a member of Hughes Federal Credit Union for over 30 years. Mr. Bhalala is Senior Manager at Raytheon Missile Systems Company where he has worked in engineering design and development since 1985. Mr. Bhalala has more than 21 years of management experience at Hughes/Raytheon. Mr. Bhalala received his Bachelor of Science and Master of Science degrees in Electrical Engineering from the

University of Arizona. He joined the Credit Union shortly after starting his work at Hughes and subsequently volunteered as a member of the Supervisory Committee. He served on the Supervisory Committee for ten years, five of these years as the Supervisory Committee Chairman. The Supervisory Committee position gave him an understanding on the issues and concerns of the membership as well as a clear understanding of the Credit Union operations. Mr. Bhalala has served our Credit Union as a board director since August 2012. His commitment to the Credit Union membership and philosophy has been evident throughout his 13 years as a volunteer. Mr. Bhalala welcomes the opportunity to continue to serve the Credit Union membership and the Credit Union Board of Directors.



Robert Swick*

Mr. Swick has been a Hughes Federal Credit Union employee and member for more than 30 years. He has served as Finance Manager, VP of Finance and Data

Processing, and Sr. Vice President. In 1999, he became President and General Manager of the Credit Union. Mr. Swick has reported on the Credit Union's financial position to the Board of Directors since 1987, served on numerous board committees, and has been Board Treasurer since 2000. Currently, Mr. Swick serves on the asset/liability management, budget, compliance, computer systems, delinquent loans, executive, facilities planning, human resources, investment, loan appeals and sales and service committees. Mr. Swick graduated from the University of Arizona with a Bachelor of Science degree in Business Administration, with a double major in Accounting and Management Information Systems.

**Incumbent serving on the board*



Roberta Reeves*

Ms. Reeves was employed at Hughes Missile Systems Company for 34 years prior to retiring December 1989. She has served on Hughes Federal Credit Union's board of directors since 1989, and has been a Credit Union member for over 56 years. She has completed the Volunteer Achievement Program, a training program for credit union volunteers. Along with being Secretary of the board, her involvement includes

serving on the educational/marketing, annual meeting, facilities planning and human resources committees. Ms. Reeves received the *Rose Mofford Volunteer of the Year Award* for individual distinguished service to the credit union movement in Arizona. She welcomes the opportunity to continue to fulfill her duties as a member of Hughes Federal Credit Union's Board of Directors.



2015 Board of Directors

Back Row L to R:

Fabian Cordova, Willis Fagg, Ashesh Bhalala, Robert Swick, Rich Miller, Robert Shaub, Charles LaDue, David Ortega

Front Row L to R:

Roberta Reeves, Juan Gonzalez, Mary Middleton

Not pictured:

John Sansbury

2015 BOARD OF DIRECTOR'S REPORT

Submitted by John R. Sansbury, Board Chairman

2015 was another VERY SUCCESSFUL YEAR in the life of HUGHES FEDERAL CREDIT UNION

A Look Back to 1990

For a little historical perspective lets return to 1990, a time when we first worked with the National Credit Union Association (NCUA) to expand our field of membership by allowing Separate Employer Groups (SEGs) to become a part of HFCU. At that time our total assets were at approximately \$100 million and our membership was in the order of 13,000. Over the decade of the 90s NCUA allowed us to expand further to include the underserved community of Tucson in our field of membership. Now, in 2015, our total assets closed for the year at over \$800 million and our membership closed in on 100,000. By working closely with our governing body over the years, HFCU and our members have grown and prospered significantly over the last two and a half decades.

Apple Pay® transforms mobile payments

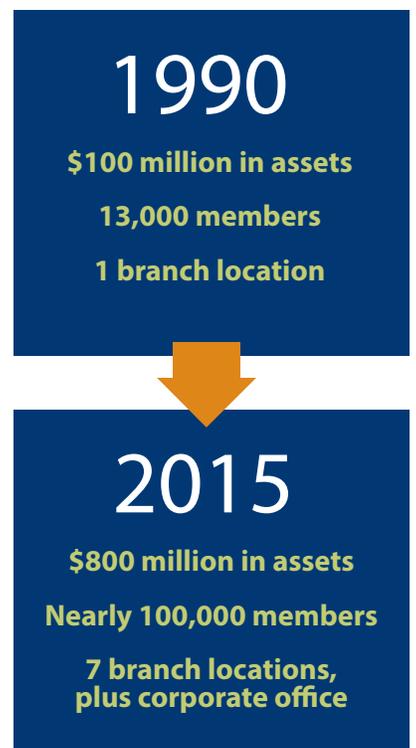


In 1990 there was no online banking; your methods to bill pay were personal credit union checks, money orders or credit cards. With the advent of the internet, the PC, the iPhone® (and others), iPads®, etc. there are many alternatives to pay bills, move funds or otherwise conduct business. In 2015 we added access to Apple Pay for HFCU members. This new service transforms mobile payments with an easy, secure and private way to pay. With Mobile Banking, Mobile Deposit, Mobile Bill Pay and now Apply Pay, we're putting more powerful tools in our members' hands. Apple Pay is easy to set up and users will receive all of the benefits offered by their debit and credit cards. With Apple Pay, you don't share your physical card with retailers, so transactions are more private and better protected.

More Locations, More Convenience

In 1990 HFCU had one branch, the main office located on Tucson International Airport property on Hermans Road at the Hughes Aircraft Company plant site. Today we have our corporate office located on Wetmore Road as well as seven branches all across the Metro Tucson area. Those seven branches include our newest location in Marana at 7820 N. Cortaro Road near Silverbell. The official ribbon cutting ceremony was held on October 15, 2015 which coincided with International Credit Union Day. Our Credit Union is community-focused and Marana is a community-focused town. We are planning further expansion and to that end we have purchased property in the Vail area for a branch to serve the far east side of the Tucson metro area. Keep watching the HFCU newsletters for updates.

Hughes Federal Credit Union's Growth from 1990 to 2015



Four Scholarships Awarded



In 1990 HFCU had no scholarship program for high school seniors who were members of the Credit Union. Our scholarship program was initiated in

2005 and has continued to expand. At the 63rd annual meeting in 2015, HFCU awarded scholarships to four young members who showed scholastic excellence, participated in community service, were interested in advancing their education and wrote a Credit Union themed essay or developed a methodology to attract young members to Credit Union membership. The 2015 scholarship recipients were:

\$2500 1st place, Diego Blew

\$2000 2nd place, Trent Pearson

\$1000 3rd place, Emmalee Schafer

\$500 4th place, Jenna Trejo

Congratulations to these young members.

HFCU Receives Another CUNA Award

In 1990 marketing was not a significant area in the Credit Union world. With the advent of expanded field of membership, not only for HFCU but most credit unions it became a necessity. The credit union world is now very competitive. That HFCU is out front in the marketing arena was demonstrated again in 2015 when we received another Credit Union National Association (CUNA) Marketing and Business Development Council Diamond Award for our latest television commercial featuring University of Arizona Head Men's Basketball Coach Sean Miller. The Diamond Award is CUNA's top award which recognizes outstanding marketing achievements in the Credit Union Industry.



2015 CUNA
Diamond Award
Winner: One Low
Rate - featuring
Coach Sean Miller
and Wilbur

One thing that has not changed over the years is that we still take great pride in making a positive difference in the financial lives of the members of Hughes Federal Credit Union and we pledge to continue that tradition.

☆☆☆☆
**Outstanding
PERFORMANCE**

WHAT OUR MEMBERS HAVE TO SAY



Jack

I'M EARNING
more
-- -- with -- --
GREAT RATES



Linda

MY ONLINE
car loan
— was so —
CONVENIENT



Joseph

I'M SAVING
-- -- over -- --
\$500
A MONTH

2015 ANNUAL TREASURER'S REPORT

Submitted by Robert J. Swick, Treasurer

2015 was another year of strong growth for Hughes Federal Credit Union. The Credit Union grew in assets, capital, deposits, loans and members for a fifth straight year. This growth trend began during 2011 and is primarily attributed to your Credit Union's competitive products and services and willingness to continue to serve our members' financial needs despite the economic environment.

Hughes Federal Credit Union marked 2015 by surpassing ninety thousand members, seven hundred million dollars in total loans to members, seven hundred million dollars in member savings and eight hundred million dollars in Credit Union assets.

At yearend 2015, Credit Union assets totaled \$836,265,076.00, an increase of \$69,812,851.00 or 9.11% compared to total assets at yearend 2014. Member savings (deposits) equaled \$744,267,128.00 at yearend, an increase of \$59,700,501.00 or 8.72% over the previous year.

While both asset and member savings growth increased, during 2015 loan growth remained very strong. At yearend 2015, total outstanding loans to members equaled \$714,665,104.00, an increase of \$74,806,609.00 or 11.69% over the previous year. At yearend 96.02% of member savings on deposit at your Credit Union were outstanding in loans to members. This is important because interest on loans provides the majority of income (78% of gross income in 2015) from which we distribute dividends to our members, pay our operating expenses and increase our net capital.

During 2015 the Credit Union produced \$45,779,765.33 in gross income. After paying operating expenses and distributing member dividends, Hughes Federal Credit Union increased its net capital by \$9,127,539.16, an increase of 11.75% compared to net capital at year-end 2014. Our increased net worth helps ensure continued financial strength and stability for our Credit Union. Hughes Federal Credit Union remained well capitalized as your Credit Union's net worth ratio

(the standard measure of a financial institution's strength and stability) measured 10.38% at yearend 2015, up from 10.14% at yearend 2014.

2015's strong financial performance earned Hughes Federal Credit Union another BauerFinancial 5 Star (Superior) rating. Hughes Federal Credit Union has now earned a 5 Star (Superior) or 4 Star (Excellent) BauerFinancial rating for 102 consecutive quarters or 25.5 years. If you would like to learn more about Hughes Federal Credit Union's 5 Star rating visit BauerFinancial.com and click on Credit Union Star Ratings.

This strong financial performance combined with continued strong member loan demand has enabled Hughes Federal Credit Union to raise dividend rates on all interest earning deposit accounts. Effective January 1, 2016 dividend rates paid on main shares, savings, checking, health savings checking, money market accounts, IRAs, IRA term shares and term share accounts, have all been increased, even while market interest rates remain at historic lows. Hughes Federal Credit Union's savings and loan rates have earned the Datatrac Great Rate Awards. Datatrac is a financial research firm which maintains America's largest interest rate database, comparing rates for more than 100,000 banking locations nationwide. Datatrac certified that Hughes Federal Credit Union offers 22 consumer banking products that outperform the market average by up to 319%. Current results of this research and a list of the award-winning products can be found at our website.

Hughes Federal Credit Union ended 2015 with 92,207 members a net increase of 7,839 members or 9.29% over the previous year. We encourage our newest members, as we do all our members, to make the most of their membership. Membership at Hughes Federal Credit Union means ownership in a local, Better Business Bureau accredited and A+ rated full service financial institution that has existed for over sixty years solely to benefit its member owners. Our cooperative form of

corporate governance ensures that all earnings of the Credit Union are returned to our members in the form of affordable financial services. This is what differentiates your Credit Union from other financial institutions. Your Board of Directors is comprised of volunteer members elected by our membership. Our volunteer Board of Directors is tasked with providing financial products and services that make a positive difference in our members' financial lives while maintaining the long-term financial strength and stability of our Credit Union.

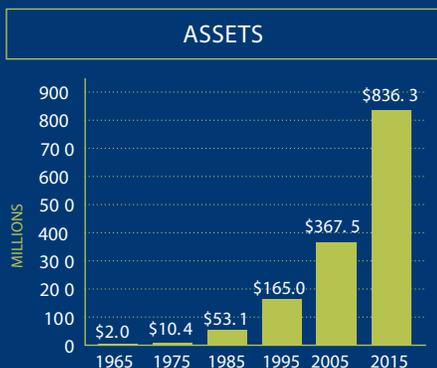
Hughes Federal Credit Union exists solely to service our members' financial needs. The Credit Union has a wide array of products and services designed to benefit our members by saving you time, money and simplifying your financial life. If you have a financial need just ask, chances are your Credit Union can service it.

One product we believe can benefit every member is our checking account. Hughes Federal Credit Union's free checking remains the best available; dividends are earned on all balances as there are no minimum balance requirements or monthly service and/or debit card fees. Now our checking accounts are even more convenient with the addition of instant issue Visa® Debit Cards. Open a Hughes Federal Credit Union checking account and receive immediate electronic access to your funds.

Our checking combined with Direct Deposit, a Visa Debit/ATM Card, eBranch internet home banking, Mobile Banking, Bill Pay, Remote Deposit, account alerts, eStatement, and automatic transfers is designed to provide convenience and simplify our members' financial lives. Use all of them, as they are all free services at your Credit Union. Besides traditional checking accounts, Hughes Federal Credit Union also offers Health Savings Checking Accounts.

In addition to checking accounts your Credit Union offers a full array of savings products. Award winning dividend rates are available on

CREDIT UNION GROWTH



2015 FINANCIAL STATEMENT

December 31, 2015 Unaudited

BALANCE SHEET

Assets

Loans to Members	\$714,665,104
Less: Allowance for Loan Losses	8,889,648
Net Loans Outstanding	\$705,775,456
Cash and Checking	4,430,042
Investments	749,790
Deposits in Corporate Credit Unions	95,463,172
Building	16,983,941
Furniture and Equipment	2,647,013
NCUSIF Deposit	6,994,683
All Other Assets	3,220,979
Total Assets	\$836,265,076

Liabilities and Equity

Shares	\$602,437,330
Term Shares	141,829,798
Total Savings	\$744,267,128
Dividends Payable	584,164
Accounts Payable	4,604,668
Regular Reserve	5,617,483
Reserve for Contingencies for Future Stabilization	79,029,019
Undivided Earnings	2,162,614
Total Liabilities and Equity	\$836,265,076

STATEMENT OF INCOME

Operating Income

Interest on Loans to Members	\$35,925,444
Income from Investments	402,628
Other Operating Income	9,451,693
Total Operating Income	\$45,779,765

Operating Expenses

Employee Compensation	\$8,971,586
Employee Benefits	2,110,195
Travel and Conference Expenses	189,475
Association Dues	78,555
Office Occupancy Expense	1,349,150
Office Operations Expense	5,285,610
Educational and Promotional Expense	2,183,773
Loan Servicing Expense	2,326,555
Professional and Outside Services	2,466,944
Provision for Loan Losses	7,411,781
Member Insurance	0
Operating Fees (NCUA)	140,100
Other Operating Expenses	685,029
Total Operating Expenses	\$33,198,753
Net Income Before Distribution	\$12,581,012

Distribution of Net Income

Dividends	\$3,453,473
Undivided Earnings and Reserves	9,127,539
Total Distribution of Net Income	\$12,581,012

main shares, savings, holiday club and you name it savings accounts. Even higher dividend rates are available on money market accounts, IRAs, IRA term share and term share accounts.

Hughes Federal Credit Union members also have access to financial planning and brokerage investment services available through HFCU Services, LLC our wholly owned credit union service organization which was established in 1988. HFCU Services, LLC provides members with free financial planning and access to mutual funds, stocks, bonds and numerous insurance products. HFCU Services, LLC offers no proprietary products and our three Certified Financial Planners and licensed sales representatives are not paid commissions. Members are welcome to call 520-294-4140 for a free appointment with one of our three Certified Financial Planner™ professionals.

Throughout 2016 members can again "Play it smart at Hughes!" by earning entries in monthly drawings during our year - long member appreciation celebration. Hughes Federal Credit Union will conduct several drawings monthly for chances to win prizes. Get a Hughes Federal Credit Union free interest-earning or Premier checking with direct

deposit and a new qualifying deposit account or loan or credit card and you'll automatically be entered in our monthly drawings for \$1,000.00 and the yearend grand prize drawing for \$5,000.00. Three additional \$500.00 monthly drawings for members with free interest-earning or Premier checking and direct deposit of \$500.00 or more per month, members who make a minimum of 15 signature-based Visa® debit card transactions during a month and members who use Hughes Federal Credit Union's online bill pay. Additionally, all members with eStatement are automatically entered in monthly drawings to win a \$100.00 Visa® Gift Card. "Play It smart at Hughes!" and visit our website at HughesFCU.org for official rules or an alternate entry.

The success of our Credit Union is totally dependent on the participation of our members. If you are not participating in our services, we encourage you to do so. If you are, we thank you and ask you to refer family, friends, co-workers and neighbors. All new members who join Hughes Federal Credit Union will be entered into monthly drawings to win \$500.00. Existing members that refer a new member will also be entered into a monthly drawing to win \$500.00. Hughes Federal Credit Union membership

is open to anyone who lives, works, worships, or attends school in Tucson. Anyone interested can call 794-JOIN for more information on membership eligibility. Visit our website at HughesFCU.org for official rules or an alternate entry.

Hughes Federal Credit Union continues to grow and throughout the past sixty-four years much has changed. But what is most important is what has not changed. We remain a member owned and operated financial cooperative in existence solely for the benefit of you our members. Thank you to our volunteer Board of Directors and Supervisory Committee members for their dedication, direction and support. Thank you to the staff for their hard work and dedication ensuring our members' financial needs are met on a daily basis. And as always and most importantly, we want to thank you our members for your continued patronage and support of our Credit Union. So thank you for your membership and on behalf of the management and staff of your Credit Union we wish you a happy, healthy and prosperous 2016.



520-794-8341 | HughesFCU.org

Apple Pay, iPhone and iPad are trademarks of Apple Inc., registered in the U.S. and other countries.

Visit one of our convenient branches.
Select branches open Saturdays!*

Cortaro Branch*
7820 N. Cortaro Rd.

Thornydale Branch*
7970 N. Thornydale

Hermans Road Branch
951 E. Hermans Rd.

Voyager Resort Branch
8701 S. Kolb

Pantano Branch*
280 N. Pantano

Wetmore Branch*
971 W. Wetmore

Speedway Branch
3131 E. Speedway

AnyHour Loan
877-999-LOAN (5626)

24-Hour Voice Response
520-205-5555



Federally Insured
by NCUA

HUGHES FEDERAL CREDIT UNION
PO Box 11900
Tucson, AZ 85734-1900

PSTRD STD
U.S. POSTAGE
PAID
IMS 85726

64th ANNUAL MEETING

WHEN: 3pm, Saturday, April 16, 2016
WHERE: Rincon High School Auditorium
422 N. Arcadia Ave., Tucson

\$1,500
in cash
prizes

- 1st Prize \$500
- 2nd Prize \$400
- 3rd Prize \$300
- 4th Prize \$200
- 5th Prize \$100

Entertainment by
Queens of Kings Trio.

► DETAILS INSIDE

MEETING AGENDA

- 1 Call to order
- 2 Approval of 63rd Annual Meeting Minutes
- 3 Committee reports
- 4 Unfinished business
- 5 New business
- 6 Scholarship winners
- 7 Entertainment
- 8 Drawing for cash prizes*
- 9 Adjournment

*Prize drawing closes at 3:30pm.
You must be present to win.
One entry per member.

HANDICAPPED PARKING

Handicapped parking is available in the east parking lot.

INTERPRETER

An interpreter for the hearing impaired will be provided.
The interpreter will be located in the front right corner of the auditorium.

NOTICE

Photographs and film footage may be taken during this event.
By attending this event, you consent to being photographed or filmed. Hughes Federal Credit Union may use the photographs or film in print, digital, video or web-based format for its promotional and archival purposes. For further information, please contact us at Email@HughesFCU.org.