



HAWAII STATE

FEDERAL CREDIT UNION

always right by you

ANNUAL REPORT 2020



Federally insured by NCUA

President's Message to Members

Dear Members,

First off, I'd like to thank you for your continued support through a challenging year. It's hard to believe that we're already kicking off 2021. While 2020 tested us with unprecedented challenges, we also saw acts of kindness, and people rallying to support our families, neighbors and community.

Hawaii State FCU remains committed to being right by you through the pandemic. We implemented new health and social distance protocols in our branches to keep our members and employees as safe as possible. We added the convenient option to schedule branch appointments online or using our mobile app. We continue to offer the ease and convenience of digital banking tools to allow secure access to your finances wherever you go. And we supported our members by offering assistance programs to help get through these tough times.

We've worked together with the government, local non-profits and all of you to support our community. Who could forget the amazing generosity of our members, whose donations helped us put together a record-setting food drive to benefit the Hawaii Foodbank and Maui Food Bank this summer? In addition, our credit union helped to disburse a total of \$9.5 million to support local small businesses through the City and County of Honolulu's Small Business Relief and Recovery Fund. And we also assisted with disbursement of federal CARES Act funds to 670 residents seeking rental relief through the state's Rent Relief and Housing Assistance Program.

As we look forward to the rest of 2021, we are excited for what the new year holds – in particular, starting on the construction of our future Hawaii State FCU Headquarters in downtown Honolulu. Our temporary branch at the new location on Queen Street is already serving many State of Hawaii employees who work in the area. We understand that there will be challenges ahead, but we remain hopeful for the future. Let's continue to encourage, support, and inspire one another. We're all in this together.



Aloha,

A handwritten signature in black ink that reads "Andrew Rosen". The signature is fluid and cursive.

Andrew Rosen

Hawaii State Federal Credit Union - President & CEO

Message from the Board of Directors

Dear Members,

What a year 2020 has been! With all that we've experienced, I've realized the importance of finding moments to be grateful for the health and happiness of our families, friends and neighbors.

As I reflect on my first year as Chairman of the Hawaii State FCU Board of Directors, I want to thank my fellow Board Members for their trust and guidance as we have navigated the credit union through these difficult times. I would also like to extend my appreciation to our Supervisory and Nominating Committee Members – I am proud and grateful for the opportunity to serve alongside them.

This year put us to the test. We've had to adapt and change our operations in order to continue providing vital financial services. Changes like these require a lot of trust and support – the trust of our members, who know that we will always try to put their best interests in mind – and the support of our employees, many of whom have gone above and beyond their normal responsibilities to keep Hawaii State FCU moving forward. Thank you to all of you for your continued business, hard work, and genuine care.

Many of you are familiar with the humble beginnings of credit unions – created to support the financial needs of unserved and underserved populations. Today, Hawaii State FCU continues to operate with these ideals in mind. We are member-owned and focused, serving a diverse cross-section of the community. We support small businesses and individual families. We offer financial education to empower people to make informed financial decisions. And we are and will always remain committed to prioritizing our members and remaining right by you rather than worrying about the wants of shareholders, as banks often do.

Please rest assured that Hawaii State FCU remains here for you, now and in the future. To further strengthen our relationships with our members, we look for feedback on how we can better serve, interact and communicate with all of you. I invite you to reach out to us when you have a question, suggestion or just to tell us how we're doing. Your insight helps to make us a better credit union, and ensures that we will continue to meet your needs for many years to come.



Aloha,

A stylized, handwritten signature in black ink, consisting of several fluid, connected strokes.

Terrance Aratani
Board of Directors - Chairman



Financial Statements

Statement of Financial Condition (Unaudited)

ASSETS	Dec. 31, 2020	Dec. 31, 2019
Loans Held for Sale	\$ 4,175,150	\$ 1,137,713
Loans, Less Allowance for Loan Losses of \$13,298,250 in 2020 and \$9,237,004 in 2019	\$ 1,040,608,749	\$ 1,080,119,671
Cash and Cash Equivalents	\$ 206,789,688	\$ 205,096,863
Investments		
Available for Sale	\$ 627,995,065	\$ 349,676,986
Equity Securities	45,218,052	45,036,073
Restricted	2,116,100	1,905,500
Total Investments	\$ 675,329,217	\$ 396,618,559
Other		
Accrued Income Receivable	\$ 5,057,097	\$ 4,657,317
Property and Equipment, Net Depreciation	44,045,654	21,699,522
National Credit Union Share Insurance Fund (NCUSIF)	16,839,978	14,502,061
Restricted Cash	15,000,000	15,000,000
Mortgage Servicing Rights	4,331,842	3,493,328
Company Owned Life Insurance	12,303,235	11,961,708
Other Assets	9,317,865	9,122,695
Total Other	\$ 106,895,671	\$ 80,436,631
TOTAL ASSETS	\$ 2,087,798,475	\$ 1,763,409,437

LIABILITIES, SHARES AND EQUITY	Dec. 31, 2020	Dec. 31, 2019
Accounts Payable & Other Liabilities	\$ 29,901,942	\$ 30,172,389
Total Shares	\$ 1,859,753,040	\$ 1,548,248,307
Equity		
Regular Reserves	\$ 29,435,000	\$ 29,435,000
Other Reserves	25,500,000	25,500,000
Undivided Earnings	138,396,780	128,987,592
Accumulated Other Comprehensive Income	4,811,713	1,066,149
Total Equity	\$ 198,143,493	\$ 184,988,741
TOTAL LIABILITIES, SHARES & EQUITY	\$ 2,087,798,475	\$ 1,763,409,437

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Statement of Income (Unaudited)

	Dec. 31, 2020	Dec. 31, 2019
Interest Income		
Interest on Loans	\$ 52,107,259	\$ 52,822,366
Income from Investments	10,084,195	13,174,185
Total Interest Income	\$ 62,191,454	\$ 65,996,551
Interest Expense		
Dividends Paid to Members	\$ 6,487,286	\$ 9,705,242
Interest on Borrowed Funds	21	14
Total Interest Expense	\$ 6,487,307	\$ 9,705,256
Net Interest Income	\$ 55,704,147	\$ 56,291,295
Non-Interest Income	\$ 26,552,263	\$ 20,914,681
Non-Interest Expense		
Compensation and Employee Benefits	\$ 35,752,748	\$ 32,279,054
Office Operations	9,162,966	8,687,532
Professional and Outside Services	6,763,965	7,182,418
Office Occupancy	4,790,354	4,081,184
Loan Servicing	2,835,848	3,247,873
Promotions & Advertising	2,583,650	3,637,704
NCUA Operating Fee	448,741	413,745
Association Dues	237,792	250,681
Training	197,354	635,881
Annual Meeting	7,532	18,678
Member Insurance	4,328	2,179
Other Operating Expenses	522,497	685,156
Provision for Loan Losses	9,480,070	10,296,510
Total Non-Interest Expense	\$ 72,787,845	\$ 71,418,595
Income from Operations	\$ 9,468,565	\$ 5,787,381
Non-Operating Income (Loss)		
Gain (Loss) on Investment	\$ (644,231)	\$ (9,983)
Other	584,854	333,366
Total Non-Operating Income (Loss)	\$ (59,377)	\$ 323,383
NET INCOME	\$ 9,409,188	\$ 6,110,764