



HAWAII STATE

FEDERAL CREDIT UNION

ANNUAL REPORT 2021



Federally insured by NCUA

President's Message to Members

Dear Members,

In 2020, the Global Pandemic forced us to pivot and adapt to unprecedented challenges. None of us predicted the COVID-19 pandemic would persist through 2021, further testing our patience and endurance. We continue to adapt to the constant changes that define our new normal, while still providing vital financial services. It has not always been easy, but we remain committed to being right by you and supporting our members, employees and the community.


And sometimes, that means going against the grain. While other financial institutions decreased their number of branches during the pandemic, we are expanding to meet the needs of our growing membership and increasing our presence in more communities. In 2022, we will open four new branches in Safeway locations across Oahu and on Maui, offering our members even more convenience and banking options. Modeled after our successful small-footprint locations in Salt Lake and Ewa Beach, our Safeway branches will combine our innovative technology and learned efficiencies to create a full-product, full-service member experience that will allow people to handle their financial needs while they shop.

In addition, renovations are underway on our future Hawaii State FCU Headquarters in downtown Honolulu. Located in the heart of Honolulu's civic center, our location will also house a branch that will serve many of our State and City workers whose offices are located nearby. The Headquarters will allow us to consolidate most of our back-office staff, and will serve as a home base and collaborative hub for employees to share ideas and work on creating more innovative products and services for our members.

Meanwhile, we have continued to give back to our community in meaningful ways that we hope live up to our credit union's core values and enrich lives. It is our belief that providing access to education and resources empowers people to make smart decisions, not only financially, but in all aspects of their lives. Through our Hawaii State FCU Scholarship Program, we awarded \$100,000 in scholarship money this year to 20 outstanding students pursuing higher education. Over its 25-year history, our program has given away more than \$1 million in scholarships to hundreds of local students. Our Investing in Education program also awarded more than \$32,000 this year to Hawaii State Department of Education classroom teachers to help them purchase supplies and materials to support curriculums and enhance both in-person and distance education.

Despite these challenging times, Hawaii State FCU continues to move forward, focused on serving our members, giving back to the community and creating a dynamic, fun and safe place to work for our employees. Thank you for your continued business and trust in us. You are a key ingredient to the growth and success of our credit union.



Aloha,

Andrew Rosen
Hawaii State Federal Credit Union - President & CEO

Message from the Board of Directors

Dear Members,

As I reflect on this 85th anniversary of Hawaii State FCU's founding, I am very impressed by how far we have come. From a small group of government employee volunteers operating out of the basement of the old Territorial Office Building, to one of Hawaii's largest credit unions, with more than 350 employees. I'm proud of the way that we have taken the necessary steps to grow and meet the changing times, while remaining true to our humble beginnings and philosophy of keeping our members at the forefront of everything we do.

With 2021's unexpected challenges, I would like to show my gratitude to my fellow Hawaii State FCU Board Members, whose dedication, knowledge and support have provided a welcome and steadying presence throughout my term as Chairman. Our Supervisory and Nominating Committees have also done an outstanding job in providing additional guidance to help us make informed decisions. It is an honor to serve alongside all of you. I want to recognize our outgoing Vice Chair, Grant Tanimoto, who has served 9 years on the Board. He has been my mentor and friend and I wish him the best.

I am also truly appreciative of what our credit union has done to weather another uncertain year. It definitely shows the true focus and determination of our employees, who have worked tirelessly to continue providing quality products and services along with top-notch member experiences. They have and will always be committed to providing only the best. Collaboration and teamwork have been key in successfully navigating these unpredictable times. I am grateful to the entire Hawaii State FCU team for embodying the always right by you spirit so selflessly and wholeheartedly.

Now more than ever, it is so important for us to work together, to overcome obstacles and barriers, to look out for the best interests of our members, and to support our community. I am particularly proud of what Hawaii State FCU has done to support local nonprofit organizations who are doing so much to uplift and enhance the lives of those in need throughout the pandemic. We held another successful credit union-wide food drive to support Hawaii Foodbank and Maui Food Bank, resulting in a total of nearly \$25,000 and 4,000 pounds of food donated. The generosity of our members and employees was evident once again during the holidays, as we held our first-ever Salvation Army Angel Tree drive, with all of our branch locations serving as Angel Tree sites. Thanks to all of you, we fulfilled more than 400 Angel Tree "wishes" and raised an additional \$3,000 to provide holiday cheer to local keiki and seniors.

On behalf of our Hawaii State FCU Board of Directors, I'd like to thank you for your continued support and for entrusting us with your financial needs. As always, we continue to work hard to provide you with outstanding service and remain Hawaii's premiere credit union.



Thank you,

A handwritten signature in black ink, appearing to be 'Terrance Aratani', written in a cursive style.

Terrance Aratani
Board of Directors - Chairman

Supervisory Committee Report

The Supervisory Committee is pleased to report that Hawaii State Federal Credit Union (Credit Union) continued to operate in accordance with sound financial principles and applicable laws and regulations in 2021.

Federal regulations require supervisory committees to ensure the board of directors and management of credit unions meet required financial reporting objectives, and establish practices and procedures sufficient to safeguard members' assets.

To fulfill our responsibilities, we contracted a certified public accounting firm to perform an independent audit of the Credit Union's financial statements as of December 31, 2021, the report of which may be viewed upon request; directed an internal audit program to evaluate and improve the Credit Union's risk management, controls, and governance processes; monitored the activities of the Board of Directors and management; investigated member complaints; verified member accounts; interacted with the National Credit Union Administration's (NCUA) examiners; and conducted special investigations or studies as we considered necessary.

We would like to express our gratitude to the Credit Union's Board of Directors and management for their support in helping us to serve you in 2021.



Susan M. Ee

Supervisory Committee - Chair

Financial Statements

Statement of Financial Condition (Unaudited)

ASSETS	Dec. 31, 2021	Dec. 31, 2020
Loans Held for Sale	\$	\$ 4,175,150
Loans, Less Allowance for Loan Losses of \$9,444,179 in 2021 and \$13,298,250 in 2020	\$ 970,533,544	\$ 1,040,608,749
Cash and Cash Equivalents	\$ 200,030,971	\$ 260,789,688
Investments		
Available for Sale	\$ 959,948,852	\$ 627,995,065
Equity Securities	47,524,527	45,218,052
Restricted	2,505,400	2,116,100
Total Investments	\$ 1,009,978,779	\$ 675,329,217
Other		
Accrued Income Receivable	\$ 4,880,833	\$ 5,057,097
Property and Equipment, Net Depreciation	51,403,026	44,045,654
National Credit Union Share Insurance Fund (NCUSIF)	19,412,258	16,839,978
Restricted Cash	15,000,000	15,000,000
Mortgage Servicing Rights	6,209,629	4,331,842
Company Owned Life Insurance	12,648,123	12,303,235
Other Assets	7,663,647	9,317,865
Total Other	\$ 117,217,516	\$ 106,895,671
TOTAL ASSETS	\$ 2,297,760,810	\$ 2,087,798,475

LIABILITIES, SHARES AND EQUITY	Dec. 31, 2021	Dec. 31, 2020
Accounts Payable & Other Liabilities	\$ 35,365,526	\$ 29,901,942
Total Shares	\$ 2,072,203,011	\$ 1,859,753,040
Equity		
Regular Reserves	\$ 29,435,000	\$ 29,435,000
Other Reserves	25,500,000	25,500,000
Undivided Earnings	148,231,403	138,396,780
Accumulated Other Comprehensive Income	(12,974,130)	4,811,713
Total Equity	\$ 190,192,273	\$ 198,143,493
TOTAL LIABILITIES, SHARES & EQUITY	\$ 2,297,760,810	\$ 2,087,798,475

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Statement of Income (Unaudited)

	Dec. 31, 2021	Dec. 31, 2020
Interest Income		
Interest on Loans	\$ 45,276,345	\$ 52,107,259
Income from Investments	9,103,302	10,084,195
Total Interest Income	\$ 54,379,647	\$ 62,191,454
Interest Expense		
Dividends Paid to Members	\$ 3,275,893	\$ 6,487,286
Interest on Borrowed Funds	764	21
Total Interest Expense	\$ 3,276,657	\$ 6,487,307
Net Interest Income	\$ 51,102,990	\$ 55,704,147
Non-Interest Income	\$ 22,541,311	\$ 26,552,263
Non-Interest Expense		
Compensation and Employee Benefits	\$ 36,479,131	\$ 35,752,748
Office Operations	9,364,958	9,162,966
Professional and Outside Services	7,355,175	6,763,965
Office Occupancy	4,786,081	4,790,354
Loan Servicing	3,186,317	2,835,848
Promotions & Advertising	2,652,730	2,583,650
NCUA Operating Fee	398,013	448,741
Training	226,734	197,354
Association Dues	216,536	237,792
Member Insurance	5,438	4,328
Annual Meeting	277	7,532
Other Operating Expenses	581,770	522,497
Provision for Loan Losses	(989,870)	9,480,070
Total Non-Interest Expense	\$ 64,263,290	\$ 72,787,845
Income from Operations	\$ 9,381,011	\$ 9,468,565
Non-Operating Income (Loss)		
Gain (Loss) on Investment	\$ 302,242	\$ (644,231)
Other	151,370	584,854
Total Non-Operating Income (Loss)	\$ 453,612	\$ (59,377)
NET INCOME	\$ 9,834,623	\$ 9,409,188

For a list of branches, visit
www.HawaiiStateFCU.com/locations

Member Service Call Center

Oahu: (808) 587-2700

US Toll-Free: (888) 586-1056

Mon. to Fri.: 7:30am to 7:00pm

Saturday: 9:00am to 5:00pm

www.HawaiiStateFCU.com

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