



HAWAII STATE
FEDERAL CREDIT UNION

ANNUAL REPORT 2022



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President's Message to Members

Dear Members,

Last year was definitely an interesting and challenging year for everyone – seven consecutive interest rate hikes by the Federal Reserve, unprecedented inflation, and the threat of recession. Despite all these challenges, Hawaii State FCU has continued to grow and expand services for our members.

While other financial institutions were encountering reductions in their number of branches, we increased our presence in more communities by opening up three new branches located at Safeway stores in Kapahulu, Hawaii Kai, and Kihei, Maui. Each of these locations offers a full-service experience for our members and a convenient option featuring the innovative self-service technology of our Interactive Teller Machines (ITMs).

Additionally, we continued construction on our future Headquarters Building and new HQ Branch located at the former Melim Building on 333 Queen Street in Downtown Honolulu. This new Headquarters will allow us to converge most of our back-office staff under one roof, while prioritizing the health and wellness of our employees, and it will serve as a connecting hub for staff to share ideas and create more innovative products and services for our members.

The COVID pandemic proved the importance and need for digital and mobile banking options. In 2022 we upgraded our mobile and online banking platforms to a state-of-the-art system that offers many new features, such as credit score monitoring and convenient options to transfer money. Our commitment to financial education and community involvement remains unwavering, as we continue to support teachers and students in the form of special educational grants and by supporting several non-profit organizations close to our hearts.

I am deeply grateful to our committed Board of Directors and our incredible staff for their hard work throughout the last year. I also want to extend my sincere appreciation to our loyal members, whose ongoing support has made our successes possible.

We move forward into 2023 and beyond, firmly committed to our mission of providing exceptional financial services to our members and improving the economic well-being of our community.



Sincerely,

A handwritten signature in black ink, appearing to read "Andrew Rosen". The signature is fluid and cursive, written in a professional style.

Andrew Rosen
President & CEO

Message from the Board of Directors

Aloha mai kakou.

As I reflect on 2022, it was quite an amazing year coming out of the global pandemic. This is the 86th anniversary of Hawaii State FCU and my first tenure as your Chairman, and I am proud to say we ended the year on a high note, becoming the largest credit union in the State of Hawaii. Congratulations to our CEO Andrew Rosen and the entire team of nearly 400 employees for their hard work and dedication.

And while we have grown in size, we remain steadfast to our philosophy of always keeping our members at the forefront of everything we do while adapting to the changing times to meet the evolving needs of our community. Last year, we continued to provide quality financial services while prioritizing the health and safety of our members in the face of the ongoing effects of the pandemic. Our achievements in 2022 include successfully integrating new technology systems, launching new consumer products, opening new Safeway in-store branches, and nearing completion of our new headquarters in downtown Honolulu.

I am particularly proud to mention some of our continued efforts to give back to the community in 2022. This included awarding \$100,000 in scholarships to 20 local students, providing \$40,000 in grants to public school teachers to purchase classroom supplies and enhance curriculums, and supporting local non-profit organizations with financial resources. Our generous donations to the Hawaii and Maui Food Banks were also a highlight, totaling \$18,000 in cash and 3,425 pounds of food.

As Chairman of the Board, it has truly been an honor and pleasure serving the credit union in a way that aligns with our core values, benefits our members, and works together in unison for the financial well-being of our credit union. And to the dedicated HSFCU team, who have worked tirelessly throughout the year, I know you will continue to serve our members and community with the spirit of Aloha.

On behalf of our Hawaii State FCU Board of Directors, we are extremely blessed for your ongoing support and trust in us for the stewarding of your financial affairs. We are dedicated more than ever, to providing exceptional service and live by our motto "*Always Right By You*"



Thank you,

A handwritten signature in black ink that reads "Kaulana H. R. Park". The signature is fluid and cursive.

Kaulana H. R. Park
Chairman of the Board

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 2022.

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, 2022, 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 2022.



A handwritten signature in black ink that reads "Susan M. Ee". The signature is fluid and cursive.

Susan M. Ee
Supervisory Committee - Chair

Financial Statements

Statement of Financial Condition (Unaudited)

ASSETS	Dec. 31, 2022	Dec. 31, 2021
Loans, Less Allowance for Loan Losses of \$5,842,170 in 2022 and \$9,444,179 in 2021	\$ 1,104,633,023	\$ 970,533,544
Cash and Cash Equivalents	\$ 102,730,776	\$ 200,030,971
Investments		
Available for Sale	\$ 862,510,762	\$ 959,948,852
Equity Securities	42,576,565	47,524,527
Restricted	4,757,400	2,505,400
Total Investments	\$ 909,844,727	\$ 1,009,978,779
Other		
Accrued Income Receivable	\$ 5,769,219	\$ 4,880,833
Property and Equipment, Net Depreciation	97,046,191	51,403,026
National Credit Union Share Insurance Fund (NCUSIF)	20,353,470	19,412,258
Restricted Cash	15,000,000	15,000,000
Mortgage Servicing Rights	5,662,308	6,209,629
Company Owned Life Insurance	12,992,906	12,648,123
Other Assets	52,992,228	7,663,647
Total Other	\$ 209,816,322	\$ 117,217,516
TOTAL ASSETS	\$ 2,327,024,848	\$ 2,297,760,810

LIABILITIES, SHARES AND EQUITY	Dec. 31, 2022	Dec. 31, 2021
Note Payable	\$ 50,000,000	\$
Accrued Interest on Note Payable	\$ 62,288	\$
Accounts Payable & Other Liabilities	\$ 52,521,444	\$ 35,365,526
Total Shares	\$ 2,094,219,337	\$ 2,072,203,011
Equity		
Regular Reserves	\$ 29,435,000	\$ 29,435,000
Other Reserves	25,500,000	25,500,000
Undivided Earnings	153,410,977	148,231,403
Accumulated Other Comprehensive Income	(78,124,198)	(12,974,130)
Total Equity	\$ 130,221,779	\$ 190,192,273
TOTAL LIABILITIES, SHARES & EQUITY	\$ 2,327,024,848	\$ 2,297,760,810

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Statement of Income (Unaudited)

	Dec. 31, 2022	Dec. 31, 2021
Interest Income		
Interest on Loans	\$ 47,247,708	\$ 45,276,345
Income from Investments	12,109,382	9,103,302
Total Interest Income	\$ 59,357,090	\$ 54,379,647
Interest Expense		
Dividends Paid to Members	\$ 2,620,794	\$ 3,275,893
Interest on Borrowed Funds	143,969	764
Total Interest Expense	\$ 2,764,763	\$ 3,276,657
Net Interest Income	\$ 56,592,327	\$ 51,102,990
Non-Interest Income	\$ 11,644,614	\$ 22,541,311
Non-Interest Expense		
Compensation and Employee Benefits	\$ 35,188,075	\$ 36,479,131
Office Operations	9,695,155	9,364,958
Professional and Outside Services	6,926,652	7,355,175
Office Occupancy	5,294,193	4,786,081
Loan Servicing	3,808,315	3,186,317
Promotions & Advertising	2,588,656	2,652,730
Training	457,880	226,734
NCUA Operating Fee	352,988	398,013
Association Dues	299,795	216,536
Annual Meeting	16,541	277
Member Insurance	3,424	5,438
Other Operating Expenses	1,201,786	581,770
Provision for Loan Losses	(1,517,580)	(989,870)
Total Non-Interest Expense	\$ 64,315,880	\$ 64,263,290
Income from Operations	\$ 3,921,061	\$ 9,381,011
Non-Operating Income (Loss)		
Gain (Loss) on Investment	\$ 999,186	\$ 302,242
Other	259,327	151,370
Total Non-Operating Income (Loss)	\$ 1,258,513	\$ 453,612
NET INCOME	\$ 5,179,574	\$ 9,834,623

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 6:00pm

Saturday: 9:00am to 5:00pm

www.HawaiiStateFCU.com

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