



HAWAII STATE

FEDERAL CREDIT UNION

always right by you

ANNUAL REPORT 2023

President's Message to Members

It is with great pleasure that I write my annual message to the Member-Owners of Hawaii State Federal Credit Union. Over the past year, we saw disruption in the financial markets, rising inflation, and threats of a recession. Despite these market pressures, Hawaii State FCU remains financially strong and growing. At a time when many banks are downsizing, Hawaii State FCU continues to innovate to offer more convenience and better banking.

We live in a time of rapidly changing technology. At Hawaii State FCU we've focused on leveraging technology to improve service and enhance your member experience. We are the first financial institution in Hawaii to introduce **Interactive Teller Machines (ITMs)** in many of our branches to provide greater convenience and accessibility. But remember, if this technology is not for you, our friendly staff are ready and willing to serve you in person.

We were committed to giving back to members, including distributing \$16 million in interest dividends. This progress highlights our commitment to providing competitive rates and products that meet our members' evolving needs. In November 2023, we introduced the Always Cash Visa Signature Rewards Credit Card, offering 2.5% cash rewards and other incredible benefits.

We are celebrating the **first anniversaries** of two significant milestones from last year. In June 2023, we successfully relocated to our new **headquarters**, uniting all back-office staff under one roof to enhance collaboration and efficiency. Shortly afterward, we proudly opened our state-of-the-art **main branch** on the first floor, offering convenient access to our comprehensive financial services for members in the downtown and civic center areas.

Our vision is to build relationships to enrich lives, with a mission to empower a lifetime of personal and financial wellness for our members and community. Together, we'll thrive because of the values we uphold: integrity, respect, collaboration, innovation, empathy, and excellence.

Thank you to our valued members, employees, management team, and volunteer Board of Directors for your trust and support. Your continued commitment and engagement are the foundation of our success.



Sincerely,

A handwritten signature in black ink that reads "Andrew Rosen". The signature is fluid and cursive, with a large initial "A" and "R".

Andrew Rosen
President & CEO

Message from the Board of Directors

Aloha mai kakou,

As we reach the midpoint of 2024, it's time to reflect on our journey over the past year. From expanding our branch service offerings to deepening our community impact, 2023 was another year of positive growth.

Your Board of Directors planned and worked together towards a few milestones:

- Approval of a revised Strategic Plan with emphasis on community wellness and impact.
- Implementation of Board Governance that included an increase in the board of directors' seats and improving our board efficiency through Board committees.
- Formation of the Corporate Real Estate Task Force that provided the oversight for the successful transaction of our former headquarters on Halekauwila Street.

I am proud to report on our ongoing efforts to give back to the community as part of our new Community Impact initiatives. Some highlights from 2023 include: \$100,000 in scholarships awarded to 20 Hawaii students and providing \$40,000 in grants to public school teachers for classroom supplies. In addition, we collaborated with organizations like Friends of the Library of Hawaii, Hawaii Home Ownership Center, and Oral Cancer Foundation. Our biggest contribution was a virtual donation drive for the Maui Foodbank that raised over \$111,000 to help those affected by the Maui wildfires. And we will continue supporting the needs of our members, staff and the greater community on Maui. Additionally, we donated over \$200,000 to local non-profit organizations, reinforcing our commitment to positively impacting our community.

At our Strategic Planning summer retreat, the importance of culture and leadership were two key takeaways. Our culture will drive results. Every team's culture rises and falls on leadership. Healthy relationships change people and change business. To create a healthy and thriving credit union, those within must be aligned and thriving. And it starts with the foundation of our core values. We must continue to lead by example daily modeling our core values of integrity, respect and empathy.

As Chairman of the Board, it has been an honor to serve the credit union and witness the dedication of our Hawaii State FCU team led by our CEO Andrew Rosen. I am truly blessed to have worked with Directors that are passionate and dedicated to doing what is 'pono'. On behalf of the Board of Directors, we sincerely appreciate your continued support and trust. We remain committed to providing exceptional service and upholding our promise to be "Always Right By You."



Mahalo and aloha,



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 2023.

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, 2023, 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 2023.

Sincerely,



Susan Chilcott

Chair of Supervisory Committee

Financial Statements

Statement of Financial Condition (Unaudited)

ASSETS	Dec. 31, 2023	Dec. 31, 2022
Loans Held for Sale	\$ 796,331	\$ -
Loans, Less Allowance for Loan Losses of \$8,525,413 in 2023 and \$5,842,170 in 2022	\$ 1,216,182,555	\$ 1,104,633,023
Cash and Cash Equivalents	\$ 225,036,112	\$ 102,730,776
Investments		
Available for Sale	\$ 663,032,319	\$ 862,510,762
Equity Securities	45,624,377	42,576,565
Restricted	1,396,300	4,757,400
Total Investments	\$ 710,052,996	\$ 909,844,727
Other		
Accrued Income Receivable	\$ 7,003,323	\$ 5,769,219
Property Held for Sale	11,068,475	-
Property and Equipment, Net Depreciation	83,733,450	83,226,369
National Credit Union Share Insurance Fund (NCUSIF)	20,935,379	20,353,470
Restricted Cash	15,000,000	15,000,000
Right-of-Use Asset	12,095,656	13,819,822
Mortgage Servicing Rights	5,008,319	5,662,308
Company Owned Life Insurance	13,348,102	12,992,906
Other Assets	59,442,905	52,992,228
Total Other	\$ 227,635,609	\$ 209,816,322
TOTAL ASSETS	\$ 2,379,703,603	\$ 2,327,024,848

LIABILITIES, SHARES AND EQUITY	Dec. 31, 2023	Dec. 31, 2022
Note Payable	\$ -	\$ 50,000,000
Accrued Interest on Note Payable	\$ -	\$ 62,288
Accounts Payable & Other Liabilities	\$ 49,160,445	\$ 52,521,444
Total Shares	\$ 2,166,344,115	\$ 2,094,219,337
Equity		
Regular Reserves	\$ 29,435,000	\$ 29,435,000
Other Reserves	25,500,000	25,500,000
Undivided Earnings	155,367,051	153,410,977
Accumulated Other Comprehensive Income	(46,103,008)	(78,124,198)
Total Equity	\$ 164,199,043	\$ 130,221,779
TOTAL LIABILITIES, SHARES & EQUITY	\$ 2,379,703,603	\$ 2,327,024,848

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Financial Statements

Statement of Income (Unaudited)

	Dec. 31, 2023	Dec. 31, 2022
Interest Income		
Interest on Loans	\$ 60,374,321	\$ 47,247,708
Income from Investments	17,016,672	12,109,382
Total Interest Income	\$ 77,390,993	\$ 59,357,090
Interest Expense		
Dividends Paid to Members	\$ 18,909,407	\$ 2,620,794
Interest on Borrowed Funds	593,491	143,969
Total Interest Expense	\$ 19,502,898	\$ 2,764,763
Net Interest Income	\$ 57,888,095	\$ 56,592,327
Non-Interest Income	\$ 22,723,737	\$ 11,644,614
Non-Interest Expense		
Compensation and Employee Benefits	\$ 40,688,306	\$ 35,188,075
Office Operations	9,752,723	9,695,155
Professional and Outside Services	6,955,125	6,926,652
Office Occupancy	6,467,618	5,294,193
Loan Servicing	3,580,848	3,808,315
Promotions & Advertising	2,642,250	2,588,656
Training	559,389	457,880
NCUA Operating Fee	372,315	352,988
Association Dues	255,730	299,795
Annual Meeting	13,786	16,541
Member Insurance	2,889	3,424
Other Operating Expenses	2,025,380	1,201,786
Provision for Loan Losses	3,895,640	(1,517,580)
Total Non-Interest Expense	\$ 77,211,999	\$ 64,315,880
Income from Operations	\$ 3,399,833	\$ 3,921,061
Non-Operating Income (Loss)		
Gain (Loss) on Investment	\$ (737,283)	\$ 999,186
Other	971,324	259,327
Total Non-Operating Income (Loss)	\$ 234,041	\$ 1,258,513
NET INCOME	\$ 3,633,874	\$ 5,179,574

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.: 7:30 am to 7:00 pm

Saturday: 9:00 am to 5:00 pm

www.HawaiiStateFCU.com

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