



Hawaii Central
FEDERAL CREDIT UNION



2018
ANNUAL REPORT

What a remarkable 2018! Hawaii Central Federal Credit Union (HCFCU) experienced another year of achievements and growth. We've grown in asset size to more than \$280 million and closed out the year **18,609 members strong**.

BECAUSE HCFCU STRONGLY BELIEVES IN HELPING OUR MEMBERS ACHIEVE THEIR FINANCIAL GOALS, HCFCU CONTINUES TO SEEK:



**WAYS TO
MINIMIZE FEES
TO YOU**



**PROVIDE BETTER
LOAN AND DEPOSIT
RATES**



**OPPORTUNITIES TO
PROVIDE FINANCIAL
EDUCATION FOR YOU
& OUR COMMUNITY**



**ADDITIONAL
PRODUCTS AND
SERVICES**

Our achievements are due to YOU, our member-owners, and YOUR support of the credit union values and the products and services the credit union provides. In 2018 HCFCU introduced Affordable Student Loans, filing the FAFSA form for college, Western Union services and Excess Share Insurance (which provides additional insured coverage for deposits up to \$500,000 vs. the traditional amount of \$250,000).

HCFCU remains committed to helping people beyond our Credit Union family by supporting various charitable foundations in our community.

It is through your support and confidence, our member-owners, and the diligent work of your dedicated staff and volunteers that your Credit Union remains financially strong and available to assist you in reaching your financial goals.

Together, we can make 2019 another successful year.

NEIL SHIMOAWA
CHAIRMAN OF THE BOARD

DRAKE TANABE
PRESIDENT



HOSPICE HAWAII
HOT PURSUIT RACE



BLOOD DRIVE



LANAKILA MEALS
ON WHEELS



HELPING HANDS
HAWAII



SHRED DAY

“We are people helping people.”

EDWINA
Vice President of
Administration & HR

PATRICK
Real Estate Loan
Manager

KELLY
Accountant



In compliance with the Federal Credit Union Act and Hawaii Central Federal Credit Union's bylaws, the Supervisory Committee independently evaluates the soundness of the Credit Union's operations and activities. To fulfill its primary responsibility, the Supervisory Committee oversaw all external audit-related activities as set forth under the National Credit Union Administration (NCUA) Rules and Regulations, with CU Pacific Audit Solutions, LLC (CU Pacific) for financial and internal control audits and with Kwock & Associates/Clifton Larson Allen for the IT audit.

...controls are in place to protect your assets and your Credit Union continues to be financially sound.

The Committee met with CU Pacific to review the OCM & Co 2017 Opinion audit and the 2018 Supervisory audit, and with Kwock & Associates/Clifton Larson Allen to review the IT Audit.

Hawaii Central FCU recently underwent a regulatory examination conducted by the NCUA, the Credit Union's regulator after a 21-month cycle, a duration period that is granted by NCUA to well performing Credit Unions. There were no significant findings in the exam.

The Committee strongly believes that controls are in place to protect your

Respectfully submitted,



BLAINE K. HEDANI
SUPERVISORY COMMITTEE CHAIRPERSON

assets and your Credit Union continues to be financially sound. The Supervisory Committee continues to find other methods and means to strengthen internal controls and processes. Each and every Hawaii Central Federal Credit Union employee must remain vigilant, properly trained and participate in the safety and soundness of our growing financial institution.

Other Supervisory Committee responsibilities include ensuring that records are maintained properly and accurately, policies are carried out faithfully, and attendance at monthly Board of Directors' meetings. Every two years, the verification of all membership accounts is also required under NCUA Rules and Regulations.

As Chairman, I am privileged to work besides Bill Lane, Vice Chair, and Mary Jane Manabe, Secretary, on the Supervisory Committee. Thank you for your outstanding contributions.

The cooperation of the Credit Union's members, Board of Directors, management, and employees is appreciated. Your Supervisory Committee will continue to perform its oversight responsibilities in the best interest of all the credit union members. Our sincere appreciation goes out to you, the members for your support and confidence. It's been a pleasure to serve you.

FINANCIAL HIGHLIGHTS



+3.66%
**INCREASED
ASSETS**

Assets increased from \$270,387,564 to \$280,273,120, an increase of \$9,885,556.



-0.17%
**DECREASED
NET WORTH**

Our net worth ratio decreased slightly, from 8.94% to 8.77% at December 31, 2017 and 2018, respectively. We continue to be a "well-capitalized" credit union as defined by the National Credit Union Association, our regulatory authority.



+2.3% **INCREASED CASH & INVESTMENTS**

Cash and investments increased from \$110,252,832 to \$112,799,091, an increase of \$2,546,259. We continue to restrict our investments to high-quality financial instruments with staggered maturities to provide liquidity in future periods.



+2.11%
**INCREASED
LOANS**

Loans increased from \$145,014,729 to \$148,074,939, an increase of \$3,060,210. Credit Union Network Services LLC, Hawaii Central's real estate loan processing subsidiary, and Hawaii Central's Consumer Loan Department processed a total of 1,444 loans during 2018 with a gross loan amount of \$60,646,848. Home equity loans (HELOC) continue to be an important component of our loan growth.



+3.31%
**INCREASED
SHARE DEPOSITS**

Share deposits increased from \$245,603,727 to \$253,734,992, an increase of \$8,131,265.



+40.72%
**INCREASED
DIVIDENDS**

Dividends to members increased from \$1,130,203 to \$1,590,408. Our share dividend rate continues to be one of the highest among credit unions within the State of Hawaii.



+9.75% **INCREASED
OPERATING
INCOME**

Operating income increased, from \$10,057,869 to \$11,038,748, an increase of \$980,879. Interest income from loans increased from \$6,638,389 to \$7,306,638 and interest income from investments increased from \$2,228,157 to \$1,825,692, both positive increases from higher balances and increased rates.



-57.3%
DECREASED NET INCOME

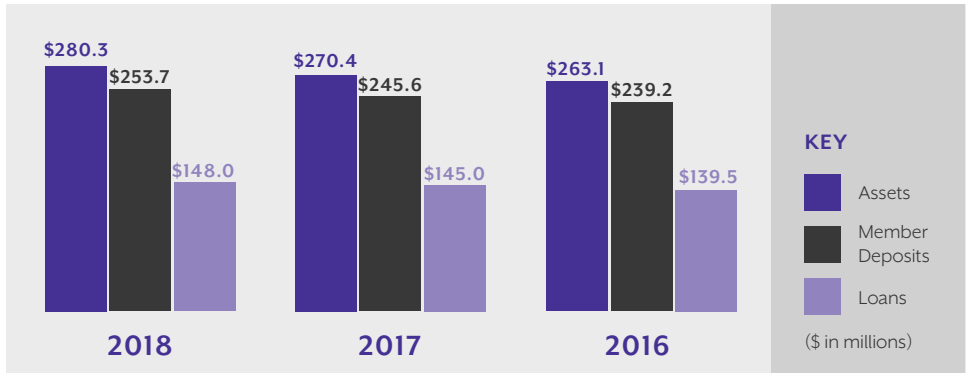
Net income decreased from \$962,742 to \$411,495. Both years include the effect of merger-related accounting entries of \$77,400 and \$410,084, respectively. Such accounting entries have no effect on cash flows. Profit in 2018 was negatively affected by the merger of CU Network Services LLC into Hawaii Central, which resulted in one-time salary termination costs and write-offs.

The Federal Reserve System started to increase interest rates beginning in 2016 and continued that direction through 2018. Management and the Board of Directors are keenly aware of the challenges presented by this changing interest rate environment. Additionally, continuing challenges for Hawaii Central, as well as all credit unions, are the heightened complexity from increased regulations and the need for continuing investments in information systems. A recent example of our continuing investment is the recent system conversion in February 2019. Such investments are necessary to not only provide additional security of member accounts but also to broaden our services to members.

**"Your board of directors pledge to maintain competitive dividend rates.
Thank you for your continued support of Hawaii Central Federal Credit Union."**

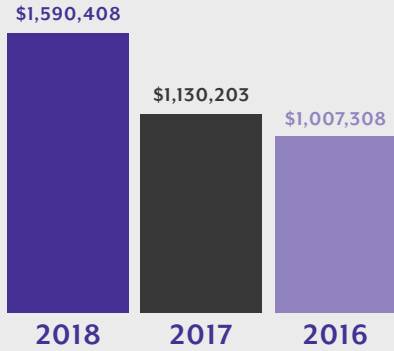
WAYNE T. TOMA
TREASURER

2018 ANNUAL REPORT * FINANCIAL CONDITION STATEMENT



ASSETS AS OF	12/31/18	12/31/17	CHANGE	% CHANGE
Loans to Members	\$148,074,939	\$145,014,729	3,060,210	2.11%
Allowance for Loan Losses	\$(814,437)	\$(1,053,101)	238,664	-22.66%
Cash	\$8,694,086	\$10,566,699	(1,872,613)	-17.72%
Investments	\$104,105,005	\$99,686,133	4,418,872	4.43%
Property & Equipment	\$5,396,340	\$5,289,863	106,477	2.01%
NCUSIF Capital Deposit	\$2,458,408	\$2,343,167	115,241	4.92%
Real Estate Held for Sale	\$1,963,182	\$ -	\$1,963,182	N/M
Other Assets	\$10,395,597	\$8,540,073	1,855,524	21.73%
TOTAL ASSETS	\$280,273,120	\$270,387,564	9,885,556	3.66%
Liabilities:				
Accounts Payable	\$473,284	\$338,695	134,589	39.74%
Other Liabilities	\$2,610,806	\$1,328,474	1,282,332	96.53%
TOTAL LIABILITIES	\$3,084,090	\$1,667,169	1,416,921	84.99%
Equity:				
Total Share Deposits	\$253,734,992	\$245,603,727	8,131,265	3.31%
Regular Reserves	\$1,840,546	\$1,840,546	-	-
Equity Acquired in Merger	\$ -	\$ -	-	-
Unrealized Gain/(Loss) on Available for Sale Investments	\$(149,776)	\$(75,651)	(74,125)	-97.98%
Undivided Earnings (net)	\$21,763,268	\$21,351,772	411,495	1.93%
TOTAL EQUITY	\$277,189,030	\$268,720,395	8,468,635	3.15%
TOTAL LIABILITIES & EQUITY	\$280,273,120	\$270,387,564	9,885,556	3.66%

DIVIDENDS TO MEMBERS



	2018	2017	CHANGE	% CHANGE
OPERATING INCOME				
Income on Loans (net)	\$7,306,638	\$6,638,389	668,249	10.07%
Gross Investments/Other	\$3,732,109	\$3,419,480	312,629	9.14%
TOTAL OPERATING INCOME	\$11,038,748	\$10,057,869	980,878	9.75%
DIVIDENDS TO MEMBERS	\$1,590,408	\$1,130,203	460,205	40.72%
Salaries & Benefits	\$4,999,893	\$4,524,530	475,363	10.51%
Office Occupancy	\$635,873	\$504,156	131,717	26.13%
Office Operations	\$585,482	\$525,371	60,112	11.44%
Education & Promotions	\$251,688	\$220,329	31,359	14.23%
Professional Services	\$636,526	\$469,121	167,404	35.68%
Provision for Loan Losses	\$310,065	\$616,592	(306,526)	-49.71%
Other Miscellaneous	\$1,645,034	\$1,533,511	111,523	7.27%
TOTAL OPERATING EXPENSES	\$10,654,968	\$9,523,813	1,131,155	11.88%
Other Non-Operating Income	\$27,716	\$428,686	(400,970)	-93.53%
NET INCOME	\$411,495	\$962,742	\$(551,247)	-57.26%
NOTE: net income excluding one-time income/(expenses)	\$1,121,480	\$552,658	\$568,822	102.92%
Loan: Share	58.36%	59.04%		-0.68%
Loans	6,900	7,383	(483)	-6.54%
Net Worth Ratio	8.77%	8.94%		-0.17%

CALLED TO ORDER

The 80th Annual Meeting of Hawaii Central Federal Credit Union was called to order by Board Chairman Fred Tsuda at 10:35 a.m. at the Japanese Cultural Center, Manoa Grand Ballroom in Honolulu. Board Chairman Tsuda called on Board Secretary Betty Hirozawa for a quorum. She reported that 211 members were in attendance; therefore, a quorum was established.

MINUTES

Chairman Tsuda referred to the minutes of the 79th Annual Membership Meeting held on March 11, 2017 printed in the 2017 Annual Report. After reviewing, he asked if there were any additions, deletions or corrections. There were no responses from the membership; therefore, the minutes were accepted as presented.

REPORTS

Chairman Tsuda directed the members' attention to the Chairman and President's Message along with the Treasurer's and Supervisory Committee's Reports also printed in the annual report. He asked if there were any objections or questions to the reports. Since there were no responses, the reports were accepted as presented.

UNFINISHED BUSINESS

Chairman Tsuda asked Board Secretary Hirozawa for any unfinished business; she replied by stating that there were no unfinished business to report.

NEW BUSINESS

Chairman Tsuda then asked Board Secretary Hirozawa for any new business. There was none. At this point Chairman Tsuda called on Nominating Committee Chairman Wayne Toma. He reported that there were two (2) vacancies on the Hawaii Central FCU's Board of Directors. The two with the highest votes will each serve 3 year terms. Notices for Nomination and petitions were posted in the October 2017 and January 2018 newsletters. As stated in the Bylaws, there will be no nominations from the floor. There are three (3) nominees on the ballot. Incumbent Alan Yasuda, member Sam Aucoin and member William Lane filed nomination papers.

Board Chairman Tsuda reminded the attendees to cast their votes for 2 candidates only and to deposit the ballot in the ballot box. The Supervisory Committee will be tabulating the ballots.

RECESSED

The meeting recessed for lunch at 10:45 AM.

RECONVENED

Chairman Tsuda reconvened the meeting at 11:45 A.M. He called on Nominating

Committee Chairman Toma to give the results of the election. Nominating Committee Chairman Toma congratulated Director Alan Yasuda on his re-election to the Board of Directors for a 3-year term and member Sam Aucoin on his election for a 3 year term to the Board of Directors.

Chairman Tsuda expressed gratitude on behalf of the Board of Directors to the membership for the opportunity to serve as their representatives. Hawaii Central FCU remains firmly committed to the mission of providing a safe place for members to deposit their money, secure low interest loan rates and assist members with their financial needs.

Chairman Tsuda reported that Hawaii Central had another great year in 2017.

- Launched our “Unbank With Us’ campaign which highlights how we are different from the big banks – better rates, little to no fees on products and services and personalized customer service.
- Hawaii Central FCU’s free Super Rewards Checking program continues to provide members monthly rewards like higher dividends, cash back or credit towards online entertainment just by using their HCFCU Debit Card on everyday purchases.
- Hawaii Central FCU has continued its partnership with Estate Planning Group to provide free estate planning seminars to our members. We’ve also partnered with Planning Services of Hawaii and Premier Benefits Consultants to provide additional seminars on topics including Medicare, social security and long-term care.

HCFCU’s goal is to move forward with enhanced products and services, outstanding member service and a commitment to the credit union philosophy of “People Helping People”.

Chairman Tsuda recognized the credit union staff and management under the leadership of President Drake Tanabe. They do their best every day to ensure the integrity of the credit union and the quality of the products and services provide.

In closing, Chairman Tsuda extended a “Big Mahalo” to the catering staff of the Manoa Grand Ballroom for the fine job provided for the event. He also thanked the members for attending and supporting the credit union.

ADJOURNMENT

A motion to adjourn the meeting at 11:48 a.m. was made, seconded and carried.



FRED TSUDA
BOARD CHAIRMAN



BETTY HIROZAWA
BOARD SECRETARY

ADMINISTRATION

President	Drake Tanabe
Executive Vice President	Bruce Rosen
Vice President-Administration & Human Resources	Edwina Suzuki
AVP/Training Manager	Rhonda Nii
Executive Assistant	Pam Regidor
Compliance/BSA Officer	Natasha Flores
Compliance Clerk II	Hilda Reyes

OPERATIONS DEPARTMENT

Operations Manager	Isabel Navarro
Operations Supervisor	Hope Huckso
MSR Supervisor	Melissa Madamba
Branch Supervisor	Julie George
Member Service Representative	Julie Tablit
Member Support Technology Specialist	Mila Kobayashi
Teller II	Char Demesillo
Member Service Representative	Veronica Mauga
Back Office Specialist/Teller	Kein Jay Bayawa
Teller	Kimberly Mondejar
Debit Card Clerk	Jody Chung

ACCOUNTING DEPARTMENT

Accounting Supervisor	Sharlene Suganuma
Accountant	Nia Rodriguez
Accountant	Kelly Liddle

BUSINESS DEVELOPMENT DEPARTMENT

Business Development Manager	Ruth Khoe
SEG Coordinator	Darlene Shak

CONSUMER LENDING DEPARTMENT

Consumer Loan Supervisor	Aaron Komatsu
Consumer Loan Supervisor	Nalani Pahukula
Senior Consumer Loan Officer	Elly May Draculan
Senior Consumer Loan Officer	Mary Ching

Junior Consumer Loan Officer	Reyna Dallago
Junior Consumer Loan Officer	Kimberly Abaricia
Consumer Loan Clerk	Brooke Bluemke-Sanchez

COLLECTIONS DEPARTMENT

Collections Manager	Engie Pagaduan
Collection Control Officer	Matda Bautista-Cadiz
Collection Control Officer	Jeonerey Tungpalan

SUPPORT SERVICES DEPARTMENT

Support Services Manager	Travis Uchino
Core System Administrator	Clyde Hirata
Marketing Coordinator	Kat Duran

REAL ESTATE LOANS DEPARTMENT

Real Estate Loan Manager	Patrick Chong
Mortgage Administrator/Assistant	Lynnette Wong
Mortgage Loan Officer	Candace Koike
Mortgage Underwriter	Kay Costello
Mortgage Closer	Christie Urabe

BOARD OF DIRECTORS

Chairman	Neil Shimogawa
Vice Chairman	Fred Tsuda
Secretary	Betty Hlrozawa
Treasurer	Wayne Toma
Director	Alan Yasuda
Director	Garret Kawamura
Director	Sam Aucoin

SUPERVISORY COMMITTEE

Chairman	Blaine Hedani
Vice Chairman	William Lane
Committee Member	Mary Jane Manabe

OFFICE LOCATIONS

MAIN BRANCH

681 South King Street
Honolulu, Hawaii 96813

HOURS

Monday – Thursday: 8:00am – 4:30pm
Friday: 8:00am – 5:00pm

HARKNESS BRANCH

The Queen's Medical Center
1301 Punchbowl Street
Harkness Building, Room 139
Honolulu, Hawaii 96813

HOURS

Monday – Thursday: 8:00am – 4:30pm
Friday: 7:15am – 4:30pm

WEST O'AHU POP-UP BRANCH*

The Queen's Medical Center
91-2135 Fort Weaver Road
5th Floor Dining Room
Ewa Beach, Hawaii 96706

HOURS

Tuesday/Thursday: 11:00am – 1:00pm
* Limited services available

SHARED BRANCHING

Members can use over 5,000 credit union offices that participate in the Shared Branching Network nationwide, including over 60 credit union offices locally to do basic transactions including withdrawals, deposits and loan payments (excludes VISA). For a complete list of Shared Branching locations, please visit hawaiicentral.org.

ATM ACCESS

Members can access their HCFCU accounts surcharge-free at over 200 First Hawaiian Bank ATMs throughout Hawaii and more than 28,000 CO-OP ATMs nationwide.

MEMBERSHIP

Eligibility for membership with Hawaii Central FCU is available to anyone who meets one of the following criteria:

- Persons who live, work, worship full-time or attend school on the Island of Oahu, and members of their immediate family or household.
- Businesses and other legal entities located on the Island of Oahu
- Employees of HCFCU and members of their immediate family

Immediate family is defined as: spouse, child, sibling, parent, grandparent, or grandchild. This includes stepparents, stepchildren, stepsiblings and adoptive relationships.

(808) 536-3677 HawaiiCentral.org

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Federally insured
by NCUA