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HAWAII CENTRAL

FEDERAL CREDIT UNION

2022 ANNUAL REPORT

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CHAIRMAN & PRESIDENT'S MESSAGE

Aloha Members!

2022 was another year of achievements for Hawaii Central Federal Credit Union (Hawaii Central FCU). Despite the COVID pandemic, we have maintained an asset size of just over \$318 million and increased our loans to our members to over \$143 million. Our loan growth is directly attributed to the strength of our Credit Union values. Hawaii Central FCU was there for you through the pandemic and remains committed to providing the products and services member's deserve. This is a testament to Hawaii Central FCU's Board of Directors, Managers and Staff. They will always put the well-being of members first, and we salute them!

We are proud of our staff who remain engaged and dedicated to helping you achieve your financial goals. We invest in staff training as part of our commitment to offer the very best financial advice and solutions to our members.

Below are a few Hawaii Central FCU products and services that are seeing success as we continually strive to enhance our assistance to members:



Video Banking

We are the first Financial Institution in the state to offer this virtual service to assist you with your Hawaii Central account.



First-time Homebuyers Program

10% down/No mortgage insurance



Anniversary Holiday Promotion Share Certificate

Short term/High yield

Home Equity Line of Credit

Low introductory rates

As of early 2023, we increased our Excess Share Insurance on depository accounts from \$250,000 to \$500,000 to provide you with peace of mind. Coupled with the basic \$250,000 of share insurance from the National Credit Union Association (NCUA), members are covered for up to \$750,000 on their depository accounts. Another first for us, we are proud to stand alone in this category as the only financial institution in the State to offer this coverage.

Our Credit Union remains financially strong, because of you, our members, your support and the work of dedicated staff and devoted volunteers. Hawaii Central FCU is dedicated to helping people beyond our Credit Union family by supporting various charitable foundations in our community.

As we band together to stay strong and emerge from the impacts the pandemic had on our families, friends and neighbors, we are committed to supporting you and your communities.

Aloha,


Neil Shimogawa

Chairman of the Board




Drake Tanabe
President

+0.71%



NET WORTH RATIO

SUPERVISORY COMMITTEE REPORT



The Supervisory Committee is a group of volunteer members who serve a vital role in serving Hawaii Central Federal Credit Union's (Hawaii Central FCU's) members.

In compliance with the Federal Credit Union Act and Hawaii Central FCU's bylaws, the Supervisory Committee independently evaluates the safety and 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, contracting with CU Pacific Audit Solutions, LLC (CU Pacific) for financial and internal control and member verification audits and with Kwock & Associates/Clifton Larson Allen for the IT audit.

The Committee met with CU Pacific to review the 2022 Supervisory audit, and with Kwock & Associates/Clifton Larson Allen to review the IT Audit.

The Committee strongly believes that controls are in place to protect your 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 FCU employee must remain vigilant, properly trained and participate in the safety and soundness of our growing financial institution.

As Chairman, I am privileged to work besides Bill Lane, Vice Chair, Tracy Woo, Secretary, Mary Jane Manabe, Member, and Alan Yasuda, Member 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.


Respectfully,



Blaine K. Hedani

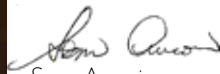
Supervisory Committee Chair

TREASURER'S REPORT



Continuing challenges for Hawaii Central Federal Credit Union (Hawaii Central FCU), as well as all credit unions, include the heightened complexity from increased regulations and the need for continuing investments in information systems. Such investments are necessary to provide additional security of confidential member information. We also invested in technology solutions such as POPi/o, which allows members to video or online chat with our staff to ask questions, open accounts, or submit documents. Repay, a second technology solution in which we invested, allows members to make loan payments or deposits (when opening an account) electronically, to broaden our services to members.

Your Board of Directors pledges to continue to assist you through the lasting impacts of the pandemic and to maintain competitive dividend rates. Thank you for your continued support of Hawaii Central FCU.



Sam Aucoin
Board Treasurer

-4% **DECREASED ASSETS:**
Assets decreased from \$331,827,971 to \$318,305,917 (a decrease of \$13,522,054).

+20% **INCREASED LOANS:**
Loans increased from \$121,430,902 to \$145,923,129 (an increase of \$24,492,227).

-22% **DECREASED INVESTMENTS:**
Investments decreased from \$175,679,605 to \$137,860,000, a decrease of \$37,819,605. Rather than reinvest funds from investments that matured during some months, these monies were used to fund the increase in loans and offset the decrease in share deposits. In addition, some investments were sold.

-6% **DECREASED CASH:**
Cash decreased from \$16,152,048 to \$15,240,143 (a decrease of \$911,905).

-2% **DECREASED SHARE DEPOSITS:**
Share deposits decreased from \$303,309,060 to \$295,909,324, a decrease of \$7,399,736. This large decrease in deposits was primarily due to \$4.3 million in non-member deposits that matured during the year. Our share deposits continue to pay a competitive interest rate among Credit Unions in the State of Hawaii. As of early 2023, we are also the only financial institution in Hawaii that provides share deposit insurance on balances up to \$500,000 and we raised that limit to up to \$750,000.

+1% **INCREASED NET INTEREST INCOME:**
Net Interest Income increased from \$8,433,097 to \$8,533,693 (an increase of \$100,596).

-2% **OPERATING INCOME DECREASED:**
Operating income decreased from \$9,602,071 to \$9,400,886, a decrease of \$201,185. Interest income from loans increased from \$5,181,939 to \$5,231,357, an increase of \$49,418. This increase was due to the increase in loan balances and higher interest rates on new loans. Other income, including investment income, decreased from \$4,420,132 to \$4,169,529, a decrease of \$250,603. The decline in Investment Income is due to the lower balance.

-29% **DIVIDENDS DECREASED:**
Dividends to members decreased from \$1,168,974 to \$828,943, a decrease of \$340,031, as dividend rates were kept low during the year until we began to increase the share certificate of deposits dividend rates.

-3% **OPERATING EXPENSES DECREASED :**
Operating expenses decreased from \$7,878,359 to \$7,642,958 (a decrease of \$235,401).

-20% **NET INCOME DECREASED:**
Net income decreased from \$1,386,217 to \$1,107,953 (a decrease of \$278,264).

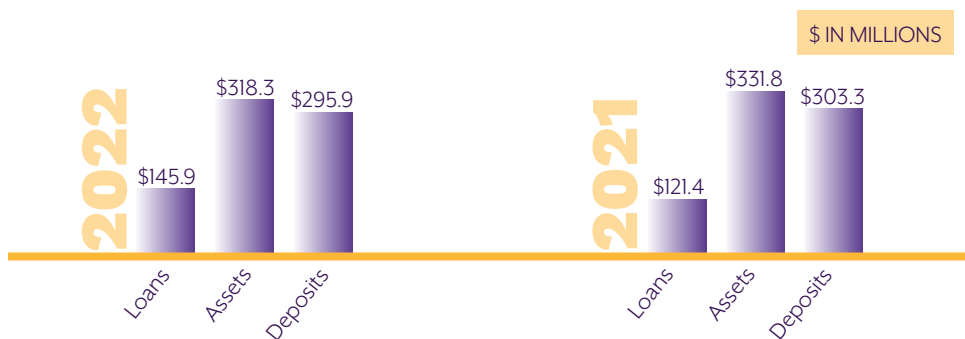
+0.71% **NET WORTH RATIO INCREASED:**
Our net worth ratio increased from 8.53% as of December 31, 2021, to 9.24% as of December 31, 2022. We continue to be a "well-capitalized" Credit Union as defined by the National Credit Union Association, our regulatory authority.

FINANCIAL CONDITION STATEMENT

ASSETS AS OF:	12/31/22	12/31/21	Change
Loans to Members	\$143,253,351	\$118,461,787	20.93%
Loans to CU Service Corp	<u>\$2,669,778</u>	<u>\$2,969,115</u>	-10.08%
Total Loans	\$145,923,129	\$121,430,902	20.17%
Allowance for Expected Loan Losses	\$(805,026)	\$(929,332)	-13.38%
Cash	\$15,240,143	\$16,152,048	-5.65%
Investments	\$137,860,000	\$175,679,605	-21.53%
Property & Equipment	\$4,559,295	\$4,704,509	-3.09%
NCUSIF Capital Deposit	\$2,760,434	\$2,922,842	-5.56%
Other Assets	\$12,767,942	\$11,867,397	7.59%
TOTAL ASSETS	\$318,305,917	\$331,827,971	-4.08%
LIABILITIES			
Accounts Payable	\$238,753	\$284,059	-15.95%
Other Liabilities	\$10,470,073	\$857,671	1,120.76%
TOTAL LIABILITIES	\$10,708,826	\$1,141,730	837.95%
EQUITY			
Total Share Deposits	\$295,909,324	\$303,309,060	-2.44%
Regular Reserves	\$1,840,546	\$1,840,546	0.00%
Unrealized Gain/(Loss) on Available for Sale Investments	\$(16,756,134)	\$41,232	-40,738.66%
Undivided Earnings (net)	\$26,603,355	\$25,495,402	4.35%
TOTAL EQUITY	\$307,597,091	\$330,686,241	-6.98%
TOTAL LIABILITIES & EQUITY	\$318,305,917	\$331,827,971	-4.08%

INCOME & EXPENSE STATEMENT

OPERATING INCOME	2022	2021	Change
Income on Loans (net)	\$5,231,357	\$5,181,939	0.95%
Gross Investments/Other	\$4,169,529	\$4,420,132	-5.67%
TOTAL OPERATING INCOME	\$9,400,886	\$9,602,071	-2.10%
Less:			
Dividends to Members	\$828,943	\$1,168,974	-29.09%
Interest Expense	\$38,250	\$0	—
NET INTEREST INCOME	\$8,533,693	\$8,433,097	1.19%
Operating Expenses			
Salaries & Benefits	\$3,830,292	\$3,985,782	-3.90%
Office Occupancy	\$544,676	\$681,830	-20.12%
Office Operations	\$570,265	\$576,665	-1.11%
Education & Promotions	\$162,172	\$249,851	-35.09%
Professional Services	\$458,568	\$553,149	-17.10%
Provision for Expected Loan Losses	\$466,892	\$506,002	-7.73%
Other / Miscellaneous	\$1,610,093	\$1,325,081	21.51%
TOTAL OPERATING EXPENSES	\$7,642,958	\$7,878,359	-2.99%
Other Non-Operating Income	\$217,218	\$831,480	-73.88%
NET INCOME	\$1,107,953	\$1,386,217	-20.07%



84TH ANNUAL MEETING MINUTES, MARCH 10, 2022

CALLED TO ORDER

The 84th Annual Meeting of Hawaii Central Federal Credit Union was called to order by Board Chairman Neil Shimogawa at 10:30 a.m. via Zoom.

Board Chairman Shimogawa called on Board Secretary Alan Yasuda for a quorum. He reported that 20 members were in attendance; therefore, a quorum was established.

MINUTES OF THE LAST ANNUAL MEETING

Chairman Shimogawa referred to the minutes of the 83rd Annual Membership Meeting held on March 13, 2021 printed in the Annual Report. He asked if there were any additions, deletions or corrections. There were no responses from the membership; therefore, the minutes were accepted as presented.

ANNUAL REPORTS

Chairman Shimogawa 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 Shimogawa asked Board Secretary Yasuda for any unfinished business; he replied that there were no unfinished business to report.

NEW BUSINESS

Chairman Shimogawa then asked Board Secretary Yasuda for any new business. He replied that there was none.



At this point Chairman Shimogawa called on Board Secretary Yasuda to read the list of nominees. He reported that there were three (3) vacancies on the Hawaii Central FCU's Board of Directors. Notices for Nomination and petitions were posted in the October 2021 and January 2022 newsletters. There are three (3) nominees, incumbents Ariel Chun, Wayne Toma and Fred Tsuda filed nomination papers, and they ran unopposed. As stated in the Bylaws, there will be no nominations from the floor. Board Secretary Yasuda congratulated Ariel Chun (3-year term), Wayne Toma (3-year term) and Fred Tsuda (3-year term) on their election to the Board of Directors.

Chairman Shimogawa reported that in 2021, we launched a few new and exciting products including: Zogo, a financial literacy app, Our Cards Mobile app, Contactless Debit and Credit Cards and Video Banking.

Chairman Shimogawa recognized the Credit Union staff and management under the leadership of President Drake Tanabe. He reported that they do their best every day to ensure the integrity of the Credit Union and the quality of the products and services we provide.

In closing, Chairman Shimogawa thanked the members for attending and supporting the Credit Union.

ADJOURNMENT

A motion to adjourn the meeting at 10:39 a.m. was made, seconded and carried.

Neil Shimogawa
Board Chairman

Alan Yasuda
Board Secretary

INSURANCE COVERAGE ON DEPOSITS JUST INCREASED!

In January 2023, the Hawaii Central Federal Credit Union (Hawaii Central FCU) Board approved an increase to its excess share insurance policy with the Excess Share Insurance Corporation (ESI). Members' deposit accounts at Hawaii Central FCU are now insured up to \$750,000 through a hefty policy with ESI and the basic federal insurance with the National Credit Union Administration (NCUA).

Hawaii Central FCU is the only financial institution in the state to offer excess share insurance and has offered this coverage for over 5 years. "We are proud to stand alone in this category as the only financial institution in the state offering excess share insurance to protect our members' funds on deposit," said President Drake Tanabe.

"People will feel safe knowing that their funds are insured and protected. We are committed to providing our members with peace of mind," added Operations Manager Isabel Navarro who hears from members concerned about economic uncertainty.

All checking, savings, certificate, holiday savings, Individual Retirement Account (IRA), and IRA certificate accounts are covered. With a video banking option that was introduced in October 2021, opening an account with Hawaii Central FCU is easy and can be done from home by visiting the Hawaii Central FCU website at www.hawaiiicentral.org.

COMMUNITY MATTERS



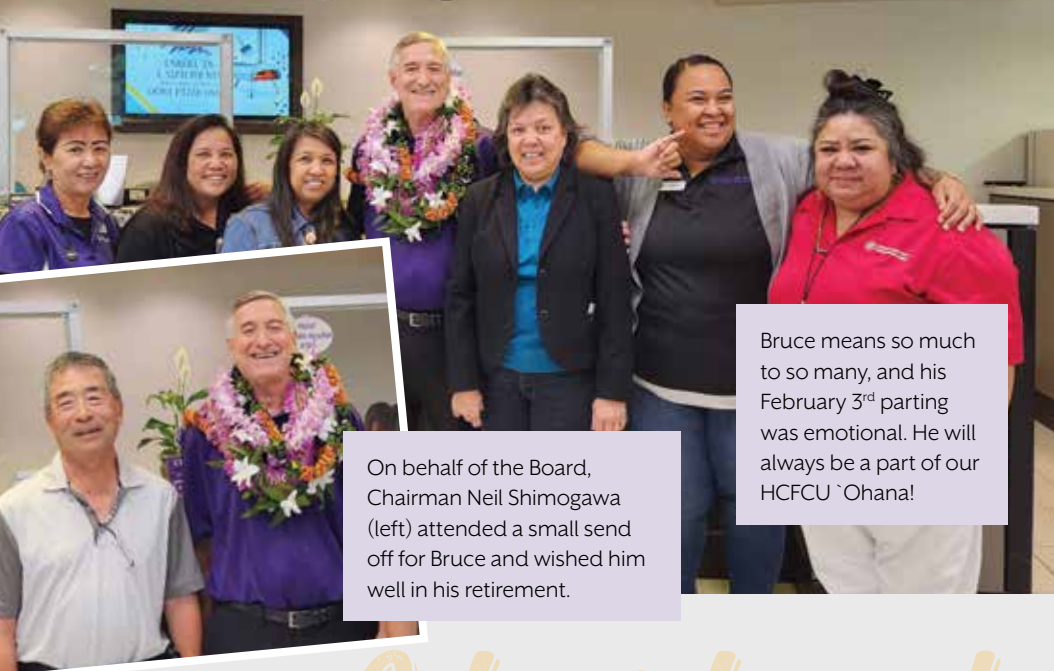
Keiki Community



HCFCU GIVES BACK

Giving back to and being involved in our community is a top priority among the staff. Along with our regular activities like our *Annual Shred Day*, we partnered with *Valoha Giving Movement* in December to spread some holiday cheer among the keiki community in need. We reached out to our Hispanic community at the *Hispanic Heritage Festival*. We were a Gold Sponsor for the *United Filipino Council of Hawaii Foundation Emerald Ball Heroes* event in November. And, last but not least, *Vice President of Administration and Human Resources*, Edwina Suzuki, was recognized for her work with our small businesses during the pandemic by the *US Small Business Administration*.





On behalf of the Board, Chairman Neil Shimogawa (left) attended a small send off for Bruce and wished him well in his retirement.

Bruce means so much to so many, and his February 3rd parting was emotional. He will always be a part of our HCFCU 'Ohana!

A hui hou!

VICE PRESIDENT BRUCE ROSEN RETIRES

Vice President, Bruce Rosen, announced his retirement late last year.

Bruce remained onboard, part-time, over a transitional period through his last day on February 3, 2023. We appreciate his dedication to ensure a smooth transition.

Bruce was with us for just over 14 years to the day, joining our staff on February 2, 2009. He quickly proved himself to be an asset and valuable resource to Hawaii Central Federal Credit Union (Hawaii Central FCU)—advising our President and management team. Up until his retirement, he served on our Asset Liability Management, Credit/Loan, Business Loan, and Member Business Organization Committees.

With two undergraduate degrees in the business fields from *California State University*

Northridge, a Master's Degree in Operations Research from *Stanford University*, he was well prepared for a career in the financial industry. After moving to Hawaii in 1980 with his wife, a graduate of *McKinley High School*, he went on to pursue a Master's in Business Administration degree from the *University of Hawaii* and held several key positions with various local businesses, government, and another financial institution.

When asked what he will miss most about Hawaii Central FCU, he said, "Working with all the employees. It's the best staff around, by far. No other financial institution can come close to us, hands down."

We thank Bruce for his service to Hawaii Central FCU and wish him, and his family, all the best in retirement. Congratulations Bruce! Aloha and A Hui Hou!

BOARD OF DIRECTORS & SUPERVISORY COMMITTEE

BOARD OF DIRECTORS

Board members must effectively carry out their vital leadership, legal, and stewardship responsibilities and act in the best interests of the members of the Credit Union.



Neil Shimogawa
Chairman



Fred Tsuda
Vice Chairman



Alan Yasuda
Secretary



Sam Aucoin
Treasurer



Ariel Chun
Director



Garret Kawamura
Director



Wayne Toma
Director

SUPERVISORY COMMITTEE

The Supervisory Committee independently evaluates the safety and soundness of the Credit Union's operations and activities.



Blaine Hedani
Chairman



Bill Lane
Vice Chairman



Tracy Woo
Secretary



Mary Jane Manabe
Member



Alan Yasuda
Member



Bringing Hawaii Central to your home!

MAIN BRANCH

681 S. King Street
Honolulu, Hawaii 96813

HOURS

Monday - Thursday:
8:00 a.m. - 4:30 p.m.
Friday: 8:00 a.m. - 5:00 p.m.

HARKNESS BRANCH

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

HOURS

Monday - Thursday:
8:00 a.m. - 4:30 p.m.
Friday: 7:15 a.m. - 4:30 p.m.

MEMBER SERVICES

(808) 536-3677

CONSUMER LOANS

(808) 536-0833

REAL ESTATE LOANS

(808) 529-4599
NMLS #412820

HawaiiCentral.org

(808) 536-3677

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SHARED BRANCHING

Conduct basic transactions at over 5,600 credit union offices that participate in the Shared Branching Network nationwide. For a list of Shared Branching locations, visit hawaiiCentral.org.

ATM ACCESS

Access HCFCU accounts, surcharge-free, at over 200 First Hawaiian Bank ATMs throughout Hawaii and more than 30,000 CO-OP ATMs nationwide.

