

BEST-IN-STATE
CREDIT UNIONS

Forbes
2024

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Annual Report 2024



HAWAII CENTRAL
FEDERAL CREDIT UNION

87th Annual Meeting

TOGETHER
Building a Legacy!

Message of the Chairman & President

Dear Members,

As we reflect on the past year, we are proud to share the achievements and milestones that have shaped Hawaii Central Federal Credit Union. Our commitment to serving you, our members, remains steadfast. It is through your continued support that we have been able to thrive. This year, we've seen tremendous growth and innovation, and we're excited to report on the strides we've made together.

RECOGNITION AND INNOVATION



We are honored to have earned the Best-in-State recognition by FORBES for the second year in a row. This prestigious accolade is a testament to the hard work, dedication, and passion of our team. We are also proud to be the only financial institution recognized with a Fire Award from Pacific Business News for our innovation in technology. This acknowledgment reinforces our commitment to staying ahead of the curve and providing our members with cutting-edge solutions.

FINANCIAL EDUCATION AND COMMUNITY ENGAGEMENT

In early 2024, we entered the second year of our financial education series, The Bottom Line, airing on 'Olelo's Spectrum Channel 53. This initiative raises awareness of our credit union and serves as a valuable resource for our community. We look forward to continuing our efforts to empower individuals with the financial knowledge they need to make informed decisions.

At our Queen's Medical Center Harkness Branch, we expanded services by adding a consumer loan officer on-site to process incoming loans. This enhancement is just one example of how we are continuously evolving to meet the needs of our members.

INVESTING IN THE FUTURE: TECHNOLOGY AND STEWARDSHIP

Looking to the future, we understand that technology will play a pivotal role in protecting the next generation from the challenges posed by predatory lending practices & exorbitant fee structures. Our members demand up-to-date, secure technology, and we have completed the upgrade of our video banking services. Through the upgrade, members are now able to connect with a local staff member who has access to your account via our chat feature online and through the app. This upgrade is part of our commitment to providing safe, accessible, and innovative financial solutions. As the first and only financial institution in the state to offer video banking, we are proud to be at the forefront of this technology.

A CALL TO ACTION: TOGETHER, WE BUILD THE FUTURE

As we move forward, we want to emphasize the importance of stewardship in this ever-changing world. The financial landscape is evolving, and we must continue to support and educate our next generation. We encourage you to introduce the credit union you love to your friends and family and stay engaged as we work together to create a bright future for all members.

We were saddened to receive the resignation of Director Wayne Toma. We extend our sincere gratitude for his many years of service and dedication to the credit union. His leadership and commitment will be greatly missed.

Thank you for your continued trust and support. Together, we are building a legacy that will last for generations to come.

Warm regards,



Neil Shimogawa
Board Chairman



Drake Tanabe
President

Treasurer's Report

Aloha Members,

I'm happy to report that HCFCU returned to profitability in 2024. Our net income figure of \$268 thousand, though modest, was a welcome relief from the 2023 loss. So far in 2025, we appear to be well on our way to exceeding our budgeted net income of \$845 thousand.

The remainder of 2025 will certainly present its own challenges, but I'm convinced that our credit union is well positioned to face whatever challenges come our way. Inflation, interest rate changes, new regulations and cyber threats are all items that give us pause, but our credit union is blessed with experienced staff that can and will deal effectively with these challenges.

Regarding interest rates, we expect them to continue to come down and return to a more familiar environment. The interest rate shocks of 2023 are well behind us. Those shocks, however, now serve as a useful reminder to keep an open mind and be ready for unexpected changes.

Regarding cyber security, HCFCU will continue to make needed investments in information systems. Such investments are necessary to continuously upgrade and protect our operating systems and provide security for confidential member information.

Your Board of Directors pledges to remain vigilant in watching over your funds and will continue to work with management to assist members in achieving their goals. Thank you for your continuing support of HCFCU.

A handwritten signature in black ink, appearing to read "Sam Aucoin".

Sam Aucoin
Board Treasurer

9.50%

NET WORTH RATIO

Hawaii Central Federal Credit Union is well-capitalized
by federal regulatory standards set forth by the
National Credit Union Administration.

Financial Condition Statement

ASSETS	12/31/2024	12/31/2023	CHANGE	% CHANGE
Loans to members	169,181,836	173,675,061	(4,493,225)	-2.59%
Loans to CU Service Corp	<u>2,233,062</u>	<u>2,437,717</u>	(204,655)	-8.40%
Total Loans	171,414,898	176,112,778	(4,697,880)	-2.67%
Allowance for Loan Losses	(853,202)	(808,417)	(44,785)	5.54%
Cash	5,837,441	4,189,696	1,647,745	39.33%
Investments	97,282,769	103,947,639	(6,664,870)	-6.41%
Property & Equipment	3,874,960	4,191,051	(316,091)	-7.54%
NCUSIF Capital Deposit	2,504,710	2,852,172	(347,462)	-12.18%
Other Assets	13,580,424	13,263,519	316,905	2.39%
TOTAL ASSETS	293,642,000	303,748,438	(10,106,438)	-3.33%
LIABILITIES				
Accounts Payable	235,077	259,136	(24,059)	-9.28%
Other Liabilities	10,414,133	7,566,511	2,847,622	37.63%
TOTAL LIABILITIES	10,649,210	7,825,647	2,823,563	36.08%
EQUITY				
Total Share Deposits	267,913,606	283,597,526	(15,683,920)	-5.53%
Regular Reserves	1,840,546	1,840,546	-	0.00%
Unrealized Gain/(Loss) on Available for Sale Investments	(11,844,662)	(14,330,566)	2,485,904	-17.35%
Undivided Earnings (Net)	25,083,300	24,815,285	268,015	1.08%
TOTAL EQUITY	282,992,790	295,922,791	(12,930,001)	-4.37%
TOTAL LIABILITIES AND EQUITY	293,642,000	303,748,438	(10,106,438)	-3.33%

Income & Expense Statement

OPERATING INCOME	2024	2023	CHANGE	% CHANGE
Income on Loans (net)	9,263,539	7,498,504	1,765,035	23.54%
Gross Investments/Other	3,622,820	4,473,926	(851,106)	-19.02%
TOTAL OPERATING INCOME	12,886,359	11,972,430	913,929	7.63%
LESS:				
Dividends to Members	3,827,869	3,504,828	323,041	9.22%
Other Interest Expense	1,116,566	514,664	601,902	116.95%
TOTAL INTEREST EXPENSE	4,944,435	4,019,492	924,943	23.01%
NET INTEREST INCOME	7,941,924	7,952,938	(11,014)	-0.14%
Operating Expenses				
Salaries and Benefits	3,387,166	4,076,765	(689,599)	-16.92%
Office Occupancy	510,414	546,534	(36,120)	-6.61%
Office Operations	555,135	592,002	(36,867)	-6.23%
Education & Promotions	125,337	152,813	(27,476)	-17.98%
Professional Services	383,754	493,031	(109,277)	-22.16%
Provision for Loan Losses	1,134,310	1,431,365	(297,055)	-20.75%
Other Miscellaneous	1,577,810	1,803,331	(225,521)	-12.51%
TOTAL OPERATING EXPENSES	7,673,926	9,095,841	(1,421,915)	-15.63%
Other Non-Operating Income	17	(645,167)	645,184	100.00%
NET INCOME	268,015	(1,788,070)	2,056,085	114.99%

Supervisory Committee Report

As members of HCFCU, our Supervisory Committee is committed to the steady oversight of this credit union. Our main concern is to ensure the safety and health of our credit union by verifying:

- Member deposits are safe,
- Member personal information is protected,
- Lending practices are sound, and
- Proper policies and procedures are enacted.

As Chair of the Supervisory Committee, I am honored to serve alongside my colleagues:

- Vice Chairman William Lane
- Secretary Tracy Woo
- Committee Member Alan Yasuda
- Committee Member Kathy Sugai

Our presence is made known through regular attendance at meetings of the HCFCU Board of Directors and regular visits to the credit union to perform operational checks and ensure third-party audit activities are conducted in compliance with regulatory requirements set forth by the National Credit Union Administration (NCUA).



Despite what we have been seeing, economically, in foreign and domestic markets, our net worth ratio, a key indicator of our credit union's health, remains strong. Leading the way in the industry to protect member deposits through a generous excess share insurance policy, increasing liquidity and carefully monitoring our lending practices, our Board of Directors and Executive Leadership has demonstrated their responsible stewardship of member funds.

This year, a third-party external audit was conducted by CU Pacific Audit Solutions, LLC. Upon thorough review of financial records and regular oversight of credit union governance and day-to-day operations, the Supervisory Committee reports, with confidence, that HCFCU is fiscally sound, and our credit union remains strong.

Ultimately, our commitment to each other as members of this credit union and the credit union movement is what keeps our credit union strong.

Thank you


Elaine Hedani

Supervisory Committee Chair



86 Annual Meeting Minutes

March 23, 2024 | 10:00 AM

CALLED TO ORDER

The 86th Annual Meeting of Hawaii Central Federal Credit Union was called to order by Board Chairman Neil Shimogawa at 10:48 a.m.

Board Chairman Shimogawa called on Interim Board Secretary Ariel Chun for a quorum. She reported that 82 members were in attendance; therefore, a quorum was established.

MINUTES OF THE LAST ANNUAL MEETING

Chairman Shimogawa referred to the minutes of the 85th Annual Membership Meeting held on April 1, 2023, 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 Interim Board Secretary Chun for any unfinished business; she replied that there were no unfinished business to report.

NEW BUSINESS

Chairman Shimogawa then asked Interim Board Secretary Chun for any new business. She replied that there was none.

At this point Chairman Shimogawa called on Nominating Committee Chair Wayne Toma to read the list of nominees. He reported that there were two (2) vacancies on the Hawaii Central FCU's Board of Directors. Notices for

Nomination and petitions were posted in the October 2023 and January 2024 newsletters. There were two (2) nominees, incumbents Sam Aucoin and Alan Yasuda filed nomination papers, and they ran unopposed. As stated in the Bylaws, there will be no nominations from the floor. Nominating Committee Chair Toma congratulated Sam Aucoin (3-year term) and Alan Yasuda (3-year term) on their election to the Board of Directors.

Chairman Shimogawa reported that in 2023, Hawaii Central FCU's focus on members was recognized through a ranking by Forbes as one of the top three credit unions in the state of Hawaii.

Chairman Shimogawa added Hawaii Central's commitment to the community we serve by participating in charitable and environmental events.

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 Bamboo catering staff at the Japanese Cultural Center Generations Ballroom for the fine job of serving us and members for attending and supporting the credit union.

ADJOURNMENT

A motion to adjourn the meeting at 10:53 a.m. was made, seconded and carried.



Neil Shimogawa
Board Chairman



Ariel Chun
Interim Board Secretary

Mahalo!

Board of Directors



Neil Shimogawa
Chairman



Fred Tsuda
Vice Chairman



Alan Yasuda
Secretary



Sam Aucoin
Treasurer



Ariel Chun
Director



Garret Kawamura
Director

Supervisory Committee



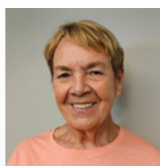
Blaine Hedani
Chairman



William Lane
Vice Chairman



Tracy Woo
Secretary



Kathy Sugai
Member



Alan Yasuda
Member

Member Services

(808) 536-3677

Consumer Loans

(808) 536-0833

Real Estate Loans

(808) 529-4599

NMLS #412820

HawaiiCentral.org

Routing #321378990

Main Branch

681 South King Street
Honolulu, Hawaii 96813

Monday-Thursday: 8:00 AM - 4:30 PM
Friday: 8:00 AM - 5:00 PM

The Queen's Medical Center Harkness Branch

1301 Punchbowl Street
Harkness Annex, Room 139
Honolulu, Hawaii 96813

Monday-Friday: 8:00 AM - 4:30 PM
CLOSED for Lunch: 1:00 PM - 2:00 PM

