



HMSA Employees' Federal CREDIT UNION

818 Keeaumoku Street • P.O. Box 860 • Honolulu, HI 96808 • Phone (808) 948-5154

August 26, 2024

Dear Valued Member,

Sixty-three years ago, I and other key staff members wanted to create something special for the employees of Hawaii Medical Service Association (HMSA). We wanted to fill a particular need for these employees by establishing HMSA Employees' Federal Credit Union. We were a small organization then, with a staff of 90 employees and life was so much simpler. Honolulu was a much smaller town, and everyone knew everyone else.

Today, the financial industry looks vastly different. Increased governmental and regulatory compliance changes have placed an added burden to our credit union staff, in addition to contending with limited resources. The pandemic has also placed technology and innovation at the forefront of more of our decisions. Because of this, we have had many thoughtful and in-depth discussions on how we can best serve our members, offer enhanced products and services, and maintain a competitive advantage in an ever-changing financial landscape.

As a result, we are writing to inform you of a significant development that we believe will further strengthen our ability to serve you. After careful consideration, the Board of Directors of HMSA Employees' Federal Credit Union (HMSA EFCU) has received NCUA approval to pursue a potential merger with Hawaii State Federal Credit Union (HSFCU). This decision was made with the best interests of our members in mind, and we are excited about the opportunities this merger will bring.

The merger with HSFCU promises many benefits, including:

- **Enhanced Financial Products and Services:** By combining resources, we will be able to offer a wider array of products and services to meet your evolving financial needs.
- **Improved Technology and Accessibility:** The merger will enable us to invest in better technology, providing you with enhanced online and mobile banking experiences.
- **Greater Financial Stability:** The combined strength of both credit unions will ensure greater financial stability and resilience for our collective membership.
- **Expanded Branch Network:** Members will have access to a larger network of branches and ATMs, making it more convenient to manage your finances.
- **We intend to keep the Keeaumoku location open** provided lease terms can be agreed upon.

What to Expect

We understand that you may have questions about how this potential merger will affect you. Please be assured that your deposits will remain safe and secure, and we are committed to working with our members to make any transition as seamless as possible for you.

Our aim is to be transparent and timely with information provided to you as we work to finalize the details of the merger. Over the next several months, please be on the lookout for additional details on what can be expected moving forward.

Member Involvement

Your voice is important to us. As a member-owned institution, your input and approval are essential. We will be holding informational meetings and providing detailed updates to ensure that you have all the information you need. There will also be a member vote to approve the merger, and we encourage you to participate.

We believe that this merger will position us to better serve our members and our employees, ensuring a strong and prosperous future for all.

On behalf of the board of directors, and credit union staff we thank you for your continued trust and support. If you have any questions or concerns, please do not hesitate to contact us at 808-948-5154 or visit our website at www.hmsaefcu.org for more information.

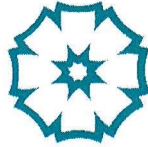
Sincerely,



Donald Y. Keliinoi
Retired HMSA Vice President



Michael K. Yen
Board President



HMSA Employees' Federal CREDIT UNION

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Notice of Meeting of the Members of H M S A Employees Federal Credit Union

The Board of Directors of H M S A Employees Federal Credit Union has called a special meeting of the members of this credit union at HMSA Koa/Hau Conference Room, 818 Ke'eaumoku Street, Honolulu, HI 96814, on Tuesday, October 15, 2024, at noon. The purpose of this meeting is:

1. To consider and act upon a plan and proposal for merging H M S A Employees Federal Credit Union with and into Hawaii State Federal Credit Union (hereinafter referred to as the "Continuing Credit Union" or "HSFCU"), whereby all assets and liabilities of H M S A Employees Federal Credit Union will be merged with and into the Continuing Credit Union. All members of H M S A Employees Federal Credit Union will become members of the Continuing Credit Union and will be entitled to and will receive shares in the Continuing Credit Union for the shares they own in H M S A Employees Federal Credit Union on the effective date of the merger.
2. To ratify, confirm and approve the action of the Board of Directors in authorizing the officers of H M S A Employees Federal Credit Union, subject to the approval of members, to do all things and to execute all agreements, documents, and other papers necessary to carry out the proposed merger.

The Board of Directors of H M S A Employees Federal Credit Union encourages you to attend the meeting and vote on the proposed merger. Whether or not you expect to attend the meeting, we urge you to sign, date and promptly return the enclosed ballot to vote on the proposed merger.

If you wish to submit comments about the merger to share with other members, you may submit them to the National Credit Union Administration (NCUA) at <https://www.ncua.gov/support-services/credit-union-resources-expansion/resources/comments-proposed-credit-union-mergers> or mail to:

NCUA - Office of Credit Union Resources and Expansion
1775 Duke Street
Alexandria, VA 22314

RE: Member-to-Member Communication for H M S A Employees Federal Credit Union

The NCUA will post comments received from members on its website, along with the member's name, subject to the limitations and requirements of its regulations.

Other Information Related to the Proposed Merger:

The Board of Directors has carefully evaluated and analyzed the assets and liabilities of the credit unions and the value of shares in both credit unions. The financial statements of both credit unions, as well as the projected combined financial statement of the continuing credit union, follow as separate documents. In addition, the following information applies to the proposed merger.

Reasons for merger: The Board of Directors has concluded that the proposed merger is desirable and in the best interests of members for many reasons. By combining strengths, the merger of H M S A Employees Federal Credit Union with the Continuing Credit Union will provide our members with more innovative services, greater convenience, additional digital channels, greater data security and efficiency in service, and additional branches, while maintaining and increasing personalized relationships, ultimately enhancing the overall banking experience for our members. Moreover, H M S A Employees Federal Credit Union's philosophy of "E Malama Makou 'ia 'Oe (We Care About You)" aligns closely with the Continuing Credit Union's philosophy of being "Always Right By You." All of the employees and directors of H M S A Employees Federal Credit Union fully support the merger with the Continuing Credit Union. We believe that a merger between the Credit Unions will create a stronger, more resilient institution that provides enhanced value to our membership.

Additional benefits to members include access to a robust online and mobile banking platform, making 24/7 banking convenient. Additionally, members will benefit from 24-hour Interactive Teller Machines and a dedicated local call center with rollover U.S. mainland access, 7 am to 7 pm, seven days a week. The merger brings additional share, loan and credit card choices, instant-issue debit and credit cards, mortgage loan products (including VA loans and Adjustable-Rate Mortgages), in-house financial planning and investment advisory services, an expanded branch network (including newly opened Safeway store branches), and free member usage of Bank of Hawaii and American Savings Bank ATMs.

The Continuing Credit Union's guiding principle will continue to be to allow members to do their banking based on their comfort level, whether that be in person, electronically or on their phone.

Increased regulatory pressure and the costs of cyber security and technology advances have significantly increased the cost of running financial institutions. Experts agree that scale is critical to continue to grow and compete. Research shows that credit union mergers can significantly benefit their members.

Net worth: The net worth of a merging credit union at the time of a merger transfers to the continuing credit union. H M S A Employees Federal Credit Union has a higher net worth ratio than the Continuing Credit Union.

Share adjustment or distribution: H M S A Employees Federal Credit Union will not distribute a portion of its net worth to its members in the merger. The board of directors has determined a share adjustment, or other distribution of H M S A Employees Federal Credit Union 's net worth is unnecessary because H M S A Employees Federal Credit

Union's assets primarily consist of investment securities with a significant unrealized loss (\$5.8 million). On the merger date, these securities will be marked to market, negatively impacting GAAP net worth.

Locations of merging and continuing credit union: H M S A Employees Federal Credit Union's main office in the H M S A building, located at 818 Ke'eaumoku Street, Honolulu will remain open through the end of 2025; the goal is to keep that location open, pending a successful lease renegotiation. The current Kapolei branch located at 949 Kamokila Blvd, Suite 430, Kapolei, has been closed due to a staff shortage and will remain closed, but the Continuing Credit Union's full-service branch located at Kapolei Shopping Center, 91-590 Farrington Highway, Suite 140, Kapolei will remain open.

In addition, HSFCU has thirteen other full-service branches that will remain open.

- Headquarters: 333 Queen Street, Honolulu
- Kapahulu Branch at Safeway: 888 Kapahulu Ave., Honolulu
- Kaimuki Branch: 3221 Waialae Avenue, Suite 16-B6, Honolulu
- Hawaii Kai Branch, 6700 Kalaniana'ole Hwy, Suite 110, Honolulu
- Hawaii Kai Branch at Safeway: 377 Keahole Street, Honolulu
- Salt Lake Branch: 848 Ala Lilikoi Street, Suite 119, Honolulu
- Pearlridge Branch: 98-150 Kaonohi Street, Suite C101, Aiea
- Mililani Mauka Branch, 95-1095 Ainamakua Drive, Suite 9, Mililani
- Ewa Beach Branch: 91-1107 Keaunui Drive, Suite 350, Ewa Beach
- Kaneohe Branch: 46-047 Kamehameha Highway, Suite 7, Kaneohe
- Waikele Branch at Safeway: 94-809 Lumiaina St, Waipahu (opening 2025)
- Kahului Branch: 140 Ho'okele Street, Unit 230, Kahului
- Kihei Branch at Safeway: 277 Pi'ikea Ave., Kihei

Merger-related financial arrangements: There are no merger-related financial arrangements. No director or employee will receive compensation in connection with the merger. Existing employees of H M S A Employees Federal Credit Union will become employees of the Continuing Credit Union, in accordance with the pay scale and benefits of the Continuing Credit Union.

Please note that the proposed merger must have the approval of the majority of members who vote.

Enclosed with this Notice of Special Meeting is a Ballot for Merger Proposal. If you cannot attend the meeting, please complete the Ballot and return it to CU Ballot – Election Processing, P. O. Box 3156, Dublin, OH 43016. To be counted, your Ballot must be received by Tuesday, October 15, 2024, at noon.

BY THE ORDER OF THE BOARD OF DIRECTORS:



President
Date

8/9/2024

HMSA Employees' FCU
Statement of Financial Condition
As Of: 05/31/2024 (After Closing)

<u>DESCRIPTION</u>	<u>CUR-MONTH</u>	<u>QTR-TO-DATE</u>	<u>YEAR-TO-DATE</u>
<u>LOANS TO MEMBERS</u>			
HOME EQUITY LOC LOANS	85,010.37	254,507.07	3,955,256.93
LINE OF CREDIT LOANS	0.00	0.00	0.00
LINE OF CREDIT- OVERDRAFT	0.00	0.00	0.00
LOANLINER LOANS	58,391.25	145,023.99	5,239,904.14
LOAN TRANSFERS	0.00	0.00	0.00
CREDIT CARD LOANS	(379.66)	24,152.08	118,769.67
CC CASHADV/SALES IN PROCESS	3,896.81	(8,555.17)	(861.98)
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TOTAL LOANS TO MEMBERS	146,918.77	415,127.97	9,313,068.76
LNS - COLL PROCESS OF LIQUID ALLOWANCE FOR LOAN LOSSES	0.00 (7,902.73)	0.00 (14,144.92)	0.00 (119,574.82)
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NET LOANS OUTSTANDING	139,016.04	400,983.05	9,193,493.94
ACCRUED INTEREST ON LOANS	907.55	2,496.23	9,974.08
ACCRUED CREDIT CARD INCOME	0.00	0.00	0.00
OTHER ACCOUNTS RECEIVABLES	0.00	0.00	0.00
DEPOSITS - NOT RECD BY BOH	0.00	0.00	0.00
CASH (INCLUDES DEPOSIT IN CORP CU)	(186,779.59)	(678,543.68)	4,721,437.51
<u>INVESTMENTS</u>			
HELD TO MATURITY SECURITIES	0.00	0.00	30,739,130.43
DISC-HELD TO MAT SECURITIES	526.39	1,052.78	(4,737.51)
HELD TO MATURITY - CERTIFICATE	0.00	0.00	0.00
MORTGAGE BACKED SECURITIES	(29,400.05)	(60,189.41)	3,074,176.82
PREMIUM ON MTG BACKED SECURITY	(101.67)	(191.10)	14,330.18
DISCOUNT ON MTG BACKED SECURITY	546.74	1,326.96	(85,884.42)
TRADING SECURITIES	0.00	0.00	0.00
AVAILABLE FOR SALE SECURITIES	(504,814.54)	(805,752.42)	10,889,522.30
CORP AMERICA-CERTIFICATE	0.00	0.00	250,000.00
STIFEL	0.00	0.00	0.00
DUNCAN WILLIAMS	0.00	0.00	0.00
SHRS DEP & CERTS IN BANK	0.00	0.00	0.00
ALL OTHER INVESTMENTS	0.00	0.00	0.00
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TOTAL INVESTMENTS	(533,243.13)	(863,753.19)	44,876,537.80
ACCRUED INVESTMENT INCOME	(5,516.45)	17,670.45	104,339.75
INVESTMENT IN NCUSIF	0.00	(27,521.83)	526,555.06
<u>ALL OTHER ASSETS</u>			
OTHER FIXED ASSETS	(458.32)	(916.64)	3,234.24
PREPAID EXP & DEFERRED CHARGES	(7,265.59)	(5,156.33)	41,797.81
ALL OTHER ASSETS	0.00	0.00	1,545.00
INSR PREM STABILIZATION RSVR	0.00	0.00	0.00
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HMSA Employees' FCU
Statement of Financial Condition
As Of: 05/31/2024 (After Closing)

<u>DESCRIPTION</u>	<u>CUR-MONTH</u>	<u>QTR-TO-DATE</u>	<u>YEAR-TO-DATE</u>
TOTAL ALL OTHER ASSETS	(7,723.91)	(6,072.97)	46,577.05
TOTAL ASSETS	(593,339.49)	(1,154,741.94)	59,478,915.19
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<u>LIABILITIES, SAVINGS & EQUITY</u>			
ACCOUNTS PAYABLE	(2,792.63)	756.28	27,204.74
CREDIT CARD-PAYMENT IN PROCESS	(1,642.89)	8,665.65	4,036.00
CREDIT CARD-ADJUSTMENT IN PROC	255.61	0.38	0.00
CREDIT CARD-CHARGEBACK IN PROC	0.00	0.00	0.00
ACH CREDIT CLEARING	0.00	0.00	0.00
ACH DEBIT CLEARING	(8.00)	(8.00)	(8.00)
ACH ALLOTMENTS	0.00	0.00	0.00
DIVIDENDS PAYABLE	192.32	22,197.43	149,397.07
TAXES PAYABLE	0.76	1.50	6.29
ACCRUED LOSS CONTINGENCIES	0.00	0.00	0.00
ACCRUED NCUA OPERATING FEES	0.00	(3,124.95)	0.00
ACCRUED ANNUAL MTG EXPENSE	3,750.00	(2,500.00)	18,750.00
ACCRUED ANNUAL AUDIT EXPENSE	4,379.66	8,759.32	56,950.23
ACCRUED CUNA LP LS INS PREM	0.00	0.00	0.00
ACCRUED GREEN LOAN INCENTIVE	0.00	0.00	0.00
ACCRUED LOAN INTEREST REFUND	0.00	0.00	0.00
ACCRUED DEBIT MASTERCARD EXP	(3,939.65)	61.74	4,249.91
UNAPPLIED DATA PROCESSG EXCPTN	0.00	0.00	0.00
TRANSFER CLEARING	0.00	0.00	0.00
UNAPPLIED SHAREDRAFT ITEMS	0.00	0.00	0.00
LOAN REVERSAL CLEARING ACCOUNT	0.00	0.00	0.00
DIGITAL PAYMENT - UNAPPLIED	868.50	3,404.00	1,187.00
UNPOSTED INVESTMENT INCOME	0.00	0.00	0.00
DEFERRED CR-INS PREMIUM REBATE	0.00	0.00	0.00
DEFERRED CR-CREDITCRDCOMMITMNT	0.00	0.00	0.00
TOTAL LIABILITIES	1,063.68	38,213.35	261,773.24
<u>EQUITY</u>			
SHARES	(917,150.52)	(1,881,454.85)	45,083,531.99
CERTIFICATES	371,500.51	801,368.14	6,090,336.71
REGULAR RESERVES	0.00	0.00	304,734.60
SPECIAL RESERVES	0.00	0.00	4,000,000.00
RESERVE LOSS CONTINGENCIES	0.00	0.00	0.00
UNDIVIDED EARNINGS	0.00	0.00	5,009,860.72
ACCUMULTD UNRLZED GAINS (LOSS)	(6,814.54)	(58,752.42)	(1,044,477.70)
NET INCOME/LOSS	(41,938.62)	(54,116.16)	(226,844.37)
TOTAL EQUITY	(594,403.17)	(1,192,955.29)	59,217,141.95
LIABILITIES, SAVINGS & EQUITY	(593,339.49)	(1,154,741.94)	59,478,915.19
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INCOME STATEMENT VARIANCE - MONTH

RGLIEVARM
HMSA Employees FCU

PREPARED: 2024-06-25 15.04.03
REPORT DATE: 2024-05-31

	MTD	MTD Budget	Variance	% Variance
OPERATING INCOME				
Interest on Loans	40,078.55	33,350.00	6,728.55	20.18%
Interest Refunds	.00	.00	.00	
Interest from Investments	59,673.30	70,800.00	- 11,126.70	-15.72%
Interest from Investments from NCUSIF	.00	.00	.00	
Miscellaneous income	5,729.69	3,300.00	2,429.69	73.63%
TOTAL OPERATING INCOME	105,481.54	107,450.00	- 1,968.46	-1.83%
OPERATING EXPENSE				
Compensation	.00	.00	.00	
Employee Benefits	.00	.00	.00	
Travel and Conference	3,163.74	1,800.00	1,363.74	75.76%
Association Dues	591.25	1,200.00	- 608.75	-50.73%
Office Occupancy	18,379.00	18,107.00	272.00	1.50%
Office Operations	46,357.24	28,333.00	18,024.24	63.62%
Publicity and Promotional	4,000.00	5,000.00	- 1,000.00	-20.00%
Loan Servicing	1,712.10	2,500.00	- 787.90	-31.52%
Professional and Outside Services	18,263.26	10,500.00	7,763.26	73.94%
Provision for Loan Losses	4,166.67	4,166.67	.00	0.00%
Corporate Stabilization Fund	.00	.00	.00	
NCUSIF Assessment	.00	.00	.00	
Members' Insurance	.00	.00	.00	
Federal Operating Fee	1,041.65	1,000.00	41.65	4.17%
Cash Over and Short	.00	.00	.00	
Interest on Borrowed Money	.00	.00	.00	
Annual Meeting Expenses	3,750.00	3,750.00	.00	0.00%
Miscellaneous Operating Expenses	2,709.00	125.00	2,584.00	2067.20%
TOTAL OPERATING EXPENSES	104,133.91	76,481.67	27,652.24	36.16%
NET INCOME FROM OPERATIONS	1,347.63	30,968.33	- 29,620.70	-95.65%
NON-OPERATING GAIN OR LOSS				
Total Non-Operating Gain or Loss	- 11,952.00	- 4,200.00	- 7,752.00	184.57%
NET INCOME BEFORE DIVIDENDS	- 10,604.37	26,768.33	- 37,372.70	-139.62%
Dividends	31,334.25	20,850.00	10,484.25	50.28%
NET INCOME	- 41,938.62	5,918.33	- 47,856.95	-808.62%

INCOME STATEMENT VARIANCE - YEAR

RGLIEVARY
HMSA Employees FCU

PREPARED: 2024-06-25 15.04.46
REPORT DATE: 2024-05-31

	YTD	YTD Budget	Variance	% Variance
OPERATING INCOME				
Interest on Loans	187,767.46	166,750.00	21,017.46	12.60%
Interest Refunds	.00	.00	.00	
Interest from Investments	323,689.90	354,000.00	- 30,310.10	-8.56%
Interest from Investments from NCUSIF	.00	.00	.00	
Miscellaneous income	17,225.77	16,500.00	725.77	4.40%
TOTAL OPERATING INCOME	528,683.13	537,250.00	- 8,566.87	-1.59%
OPERATING EXPENSE				
Compensation	.00	.00	.00	
Employee Benefits	.00	.00	.00	
Travel and Conference	13,488.42	9,000.00	4,488.42	49.87%
Association Dues	3,956.25	6,000.00	- 2,043.75	-34.06%
Office Occupancy	91,895.00	90,535.00	1,360.00	1.50%
Office Operations	158,962.81	141,665.00	17,297.81	12.21%
Publicity and Promotional	21,574.92	25,000.00	- 3,425.08	-13.70%
Loan Servicing	7,029.43	12,500.00	- 5,470.57	-43.76%
Professional and Outside Services	82,393.75	52,500.00	29,893.75	56.94%
Provision for Loan Losses	44,063.54	20,833.35	23,230.19	111.50%
Corporate Stabilization Fund	.00	.00	.00	
NCUSIF Assessment	.00	.00	.00	
Members' Insurance	.00	.00	.00	
Federal Operating Fee	5,208.25	5,000.00	208.25	4.17%
Cash Over and Short	1,000.00	.00	1,000.00	
Interest on Borrowed Money	.00	.00	.00	
Annual Meeting Expenses	6,948.49	18,750.00	- 11,801.51	-62.94%
Miscellaneous Operating Expenses	2,709.44	625.00	2,084.44	333.51%
TOTAL OPERATING EXPENSES	439,230.30	382,408.35	56,821.95	14.86%
NET INCOME FROM OPERATIONS	89,452.83	154,841.65	- 65,388.82	-42.23%
NON-OPERATING GAIN OR LOSS				
Total Non-Operating Gain or Loss	- 177,843.50	- 21,000.00	- 156,843.50	746.87%
NET INCOME BEFORE DIVIDENDS	- 88,390.67	133,841.65	- 222,232.32	-166.04%
Dividends	138,453.70	104,250.00	34,203.70	32.81%
NET INCOME	- 226,844.37	29,591.65	- 256,436.02	-866.58%

Return to cover		Summary Financial Information									
07/01/2024		For Charter : 14303		Count of CU : 1							
CU Name: H M S A EMPLOYEES		Asset Range : 50,000,000 - 100,000,000		Criteria : N/A							
Peer Group: 4		Count of CU in Peer Group : 622									
ASSETS:		Mar-2023	Jun-2023	% Chg	Sep-2023	% Chg	Dec-2023	% Chg	Mar-2024	% Chg	
Amount		Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	
Cash & Other Deposits ¹	5,625,701	5,016,040	-10.8	4,945,692	-1.4	4,675,027	-5.5	5,649,981	20.9		
Total Investments	52,565,288	50,291,570	-4.4	47,947,348	-4.7	47,496,337	-0.9	45,490,291	-4.2		
Loans Held for Sale	0	0	N/A	0	N/A	0	N/A	0	N/A		
Total Loans	7,961,223	8,081,028	1.5	8,745,499	8.2	9,190,241	5.1	8,898,061	-3.2		
Allowance for Loan & Lease Losses or Allowance for Credit Losses on Loans & Leases)	(84,839)	(273,664)	222.6	(338,638)	23.7	(279,406)	-17.5	(105,430)	-62.3		
Land And Building	0	0	N/A	0	N/A	0	N/A	0	N/A		
Other Fixed Assets	10,333	8,666	-16.1	6,998	-19.2	5,526	-21.0	4,151	-24.9		
NCUSIF Deposit	615,457	591,162	-3.9	591,162	0.0	554,077	-6.3	554,077	0.0		
All Other Assets	169,503	166,963	-1.5	123,573	-26.0	154,113	24.7	142,646	-7.4		
TOTAL ASSETS	66,882,666	63,881,765	-4.5	62,021,634	-2.9	61,795,915	-0.4	60,633,777	-1.9		
LIABILITIES, SHARES & EQUITY:											
Accounts Payable, Accrued Interest on Borrowings, & Other Liabilities ²	84,542	90,454	7.0	114,059	26.1	172,583	51.3	223,560	29.5		
Accrued Dividends & Interest Payable on Shares & Deposits	0	0	N/A	0	N/A	0	N/A	0	N/A		
Allowance for Credit Losses on Off-Balance Sheet Credit Exposures	0	0	N/A	0	N/A	0	N/A	0	N/A		
Borrowings Notes & Interest Payable	0	0	N/A	0	N/A	0	N/A	0	N/A		
Total Shares & Deposits	59,059,345	56,248,843	-4.8	54,294,478	-3.5	53,605,499	-1.3	52,254,075	-2.5		
TOTAL LIABILITIES³	59,143,887	56,339,297	-4.7	54,408,537	-3.4	53,778,082	-1.2	52,477,635	-2.4		
Undivided Earnings	5,610,908	5,453,634	-2.8	5,287,993	-3.0	5,314,555	0.5	5,141,867	-3.3		
Other Reserves	2,127,871	2,088,834	-1.8	2,325,104	11.3	2,703,298	16.3	3,014,275	11.5		
TOTAL LIABILITIES, SHARES, & EQUITY	7,738,779	7,542,468	-2.5	7,613,097	0.9	8,017,833	5.3	8,156,142	1.7		
	66,882,666	63,881,765	-4.5	62,021,634	-2.9	61,795,915	-0.4	60,633,777	-1.9		
INCOME & EXPENSE											
Interest Income [*]	300,064	598,200	-0.3	878,260	-2.1	1,190,502	1.7	296,449	-0.4		
Interest Expense [*]	29,515	57,714	-2.2	115,115	33.0	183,553	19.6	77,495	68.9		
Net Interest Income [*]	270,549	540,486	-0.1	763,145	-5.9	1,006,949	-1.0	218,954	-13.0		
Provision for Loan/Lease Losses or Total Credit Loss Expense [*]	11,566	210,849	811.5	275,339	-12.9	238,794	-35.0	35,730	-40.1		
Non-Interest Income [*]	-40,994	-57,846	29.4	-191,255	-120.4	-205,455	19.4	-152,921	-196.6		
Non-Interest Expense [*]	187,651	398,727	6.2	589,128	-1.5	828,675	5.5	203,632	-1.7		
NET INCOME (LOSS)[*]	30,338	-126,936	-309.2	-292,577	-53.7	-265,975	31.8	-172,729	-159.8		
TOTAL CU^s	1	1	0.0	1	0.0	1	0.0	1	0.0		

* Income/Expense items are year-to-date while the related %change ratios are annualized.

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¹ Prior to March 2022, Time and Other Deposits were included in Investments

² Prior to 3/31/22 includes "Subordinated Debt Included in Net Worth" and "Non-Trading Derivative Liabilities"

³ Prior to 3/31/19, Total Liabilities did not include Total Shares and Deposits.

Hawaii State Federal Credit Union
(Unaudited) Statement of Financial Condition
May 31, 2024

CHARTER #1718

ASSETS

LIABILITIES AND EQUITY

LOANS HELD FOR SALE	Current Month	Prior Month
Total Loans Held for Sale	\$ 357,092	\$ 0

LIABILITIES	Current Month	Prior Month
Accounts Payable	\$ 13,374,659	\$ 12,341,707
Other Liabilities	29,247,637	29,056,722
TOTAL LIABILITIES	\$ 42,622,296	\$ 41,398,429

LOANS	Current Month	Prior Month
Consumer Loans, Net	\$ 174,332,225	\$ 174,886,739
Line-of-Credit & Credit Card Loans	118,400,631	119,095,384
Home Equity Loans, Net	379,387,675	376,880,646
Real Estate Loans, Net	344,429,982	333,412,059
Total Consumer and Mortgage Loans	1,016,550,513	1,004,274,828
Business Loans:		
Partially Secured Term Loans	9,591,923	9,164,553
Unsecured Loans	9,130,705	7,264,523
Line-of-Credit & Credit Card Loans	698,457	736,830
Commercial Real Estate Loans, Net	198,456,484	200,486,382
Total Business Loans	217,877,569	217,652,288
Total Member Loans	1,234,428,082	1,221,927,116
All Other Loan Accounts	41,730,880	36,489,028
Total Loans	1,276,158,962	1,258,416,144
Less: Allowance for Credit Losses	(8,269,289)	(8,553,923)
TOTAL LOANS OUTSTANDING, NET	\$ 1,267,889,673	\$ 1,249,862,221

CASH & CASH EQUIVALENTS	Current Month	Prior Month
Cash	5,165,030	5,391,376
Cash Equivalents	204,554,148	224,868,394
TOTAL CASH & CASH EQUIVALENTS	\$ 209,719,178	\$ 230,259,770

EQUITY	Current Month	Prior Month
Statutory Reserves	29,435,000	29,435,000
Other Reserves	25,500,000	25,500,000
Equity Acquired in Merger	227,347	227,347
Retained Earnings	155,139,704	155,139,704
Net Income	11,145,106	9,185,042
TOTAL NET WORTH	\$ 221,447,157	\$ 219,487,093
Accum. Other Comprehensive Income	(45,511,956)	(49,654,499)
TOTAL EQUITY	\$ 175,935,201	\$ 169,832,594

INVESTMENTS	Current Month	Prior Month
Available for Sale Securities	675,748,106	662,618,384
Other Investments	13,499,445	13,469,031
Equity Security Investments	46,946,071	46,009,967
Equity in CUSOs	810,873	810,873
Equity in FHFB	1,427,900	1,427,900
Membr. Capital at Corporate CU	437	438
TOTAL INVESTMENTS	\$ 738,432,832	\$ 724,336,593

TOTAL LIABILITIES AND EQUITY **\$ 2,399,295,663** **\$ 2,387,875,229**

OTHER ASSETS	Current Month	Prior Month
Accrued Income	6,718,908	6,727,480
Property Held for Sale	8,561,607	8,561,607
Land & Building, Net Depreciation	73,430,974	73,607,340
Other Fixed Assets, Net Depreciation	19,965,069	20,333,496
Assets Acquired in Liquidation of Loans	261,603	258,022
National Credit Union Share Insurance Fund	20,846,187	20,846,187
All Other Assets	53,112,540	53,082,513
TOTAL OTHER ASSETS	\$ 182,896,888	\$ 183,416,645

TOTAL ASSETS **\$ 2,399,295,663** **\$ 2,387,875,229**

Federally insured by NCUA

**Hawaii State Federal Credit Union
(Unaudited) Statement of Income for the Period Ending
May 31, 2024**

	Current Month				Year to Date			
	Amount	Budget	Variance \$	Budget Variance %	Amount	Budget	Variance \$	Budget Variance %
Interest Income:								
Interest on all Loans	\$ 6,051,992	\$ 5,843,904	\$ 208,088	3.6	\$ 28,677,236	\$ 28,062,092	\$ 615,144	2.2
Income on Investments	2,032,505	1,936,210	96,295	5.0	9,091,156	9,276,564	(185,408)	(2.0)
Total Interest Income	8,084,497	7,780,114	304,383	3.9	37,768,392	37,338,656	429,736	1.2
Interest Expense:								
Dividends	2,267,770	2,322,047	54,277	2.3	10,262,257	10,744,013	481,756	4.5
Total Interest Expense	2,267,770	2,322,047	54,277	2.3	10,262,257	10,744,013	481,756	4.5
Net Interest Income	5,816,727	5,458,067	358,660	6.6	27,506,135	26,594,643	911,492	3.4
Non-Interest Income:								
Fee & Other Non-Interest Income								
Fee Income	696,176	616,120	80,056	13.0	3,427,454	3,155,625	271,829	8.6
Gain (Loss) on Non Trading Derivatives	9,043	0	9,043	100.0	(10,217)	0	(10,217)	(100.0)
Gain (Loss) on Sale-Mtg Loans	54,093	23,300	30,793	132.2	49,713	116,500	(66,787)	(57.3)
Miscellaneous Income	972,235	977,760	(5,525)	(0.6)	5,486,349	4,897,410	588,939	12.0
Total Fee & Other Non-Interest Income	1,731,547	1,617,180	114,367	7.1	8,953,299	8,169,535	783,764	9.6
Unrealized Gain (Loss) Equity Securities	788,899	0	788,899	100.0	203,290	0	203,290	100.0
Total Non-Interest Income	2,520,446	1,617,180	903,266	55.9	9,156,589	8,169,535	987,054	12.1
Operating Expenses:								
Compensation	2,658,396	2,584,135	(74,261)	(2.9)	13,117,852	12,916,965	(200,887)	(1.6)
Employee Benefits	781,854	889,735	107,881	12.1	4,065,702	4,443,995	378,293	8.5
Travel & Conference	54,392	53,480	(912)	(1.7)	224,871	270,290	45,419	16.8
Association Dues	23,231	24,980	1,749	7.0	121,084	121,720	636	0.5
Office Occupancy	561,460	572,720	11,260	2.0	2,791,751	2,879,610	87,859	3.1
Office Operations	840,937	922,845	81,908	8.9	4,471,383	4,752,330	280,947	5.9
Education & Promotion	138,865	312,850	173,985	55.6	725,514	1,376,525	651,011	47.3
Loan Servicing	337,353	272,000	(65,353)	(24.0)	1,892,783	1,611,970	(280,813)	(17.4)
Professional & Outside Services	609,968	789,075	179,107	22.7	3,008,018	3,245,920	237,902	7.3
Members' Insurance	230	865	635	73.4	1,156	4,325	3,169	73.3
NCUA Operating Fee	37,402	31,300	(6,102)	(19.5)	187,011	156,500	(30,511)	(19.5)
Annual Meeting	9,189	11,000	1,811	16.5	10,613	11,000	387	3.5
Other Operating Expenses	79,552	73,605	(5,947)	(8.1)	966,100	807,825	(158,275)	(19.6)
Total Operating Expenses	6,132,829	6,538,590	405,761	6.2	31,583,838	32,598,975	1,015,137	3.1
Net Operating Income	2,204,344	536,657	1,667,687	310.8	5,078,886	2,165,203	2,913,683	134.6
Non Operating Income (Expenses):								
Non Operating Income	11,219	5,250	5,969	113.7	195,019	121,260	73,759	60.8
Gain (Loss) on Investments	0	0	0	0.0	425,790	0	425,790	100.0
Gain (Loss) on Disposed Assets	(2,319)	0	(2,319)	(100.0)	6,694,511	0	6,694,511	100.0
Total Non Operating Gains (Losses)	8,900	5,250	3,650	69.5	7,315,320	121,260	7,194,060	5,932.8
Provision for Credit Losses	253,180	401,890	148,710	37.0	1,249,100	2,009,450	760,350	37.8
Net Income	\$ 1,960,064	\$ 140,017	\$ 1,820,047	1,299.9	\$ 11,145,106	\$ 277,013	\$ 10,868,093	3,923.3

Balance Sheet, December 31, 2023

	Dec'23 HSFCU	Dec'23 HMSAE FCU	Combined Entity (Book Value)	Combined Entity (Adjusted)
ASSETS				
CASH AND DEPOSITS				
Cash On Hand	15,895	139	16,034	16,034
Cash On Deposit				
Cash on Deposit in Corporate Credit Unions	55,819	231	56,051	56,051
Cash on Deposit in a Federal Reserve Bank	136,834	1,365	138,199	138,199
Cash on Deposit in Other Financial Institutions	31,488	2,689	34,178	34,178
Total Cash on Deposit	224,141	4,286	228,427	228,427
Time and Other Deposits	-	250	250	250
TOTAL CASH AND DEPOSITS	240,036	4,675	244,711	244,711
INVESTMENT SECURITIES				
Equity Securities	45,624	-	45,624	45,624
Available-for-Sale Debt Securities ¹	663,032	13,621	676,654	705,933
Held-to-Maturity Debt Securities ¹	-	33,875	33,875	-
Allowance for Credit Losses on HTM Debt Securities	-	-	-	-
TOTAL INVESTMENT SECURITIES	708,657	47,496	756,153	761,558
OTHER INVESTMENTS				
Perpetual Contributed Capital	1	-	1	1
All Other Investments	14,744	-	14,744	14,744
TOTAL OTHER INVESTMENTS	14,745	-	14,745	14,745
LOANS HELD FOR SALE				
	796	-	796	796
LOANS AND LEASES²				
Consumer Loans (Non-Residential, Non-Commercial)	289,999	5,343	295,342	295,331
1- to 4-Family Residential Property Loans/Lines of Credit	703,438	-	703,438	703,438
All Other (Non-Commercial) Real Estate Loans/Lines of Credit	30	3,847	3,877	3,878
Commercial Loans/Lines of Credit Real Estate Secured	219,590	-	219,590	219,590
Commercial Loans/Lines of Credit Not Real Estate Secured	11,652	-	11,652	11,652
TOTAL LOANS & LEASES	1,224,708	9,190	1,233,898	1,233,689
(ALLOWANCE FOR CREDIT LOSSES ON LOAN & LEASES)²	8,525	279	8,805	8,596
TOTAL LOANS & LEASES, NET OF ALLOWANCE FOR CREDIT LOSSES	1,216,183	8,911	1,225,093	1,225,093
OTHER ASSETS				
Foreclosed and Repossessed Assets	36	-	36	36
Land and Building	85,149	-	85,149	85,149
Other Fixed Assets	21,749	6	21,754	21,754
NCUA Share Insurance Capitalization Deposit	20,935	554	21,489	21,489
Intangible Assets	5,008	-	5,008	5,008
Other Assets	66,410	154	66,564	66,564
TOTAL OTHER ASSETS	199,287	714	200,001	200,001
TOTAL ASSETS	2,379,704	61,796	2,441,500	2,436,904
LIABILITIES, SHARES AND EQUITY				
LIABILITIES				
Accounts Payable, Accrued Interest on Borrowings, & Other Liabilities	49,044	173	49,217	49,217
Accrued Dividends and Interest Payable	4	-	4	4
Other Borrowings	-	-	-	-
Allowance for Credit Losses on Off-Balance Sheet Credit Exposures	112	-	112	112
SHARES AND DEPOSITS				
Share Drafts	410,098	5,384	415,482	415,482
Regular Shares	663,005	44,389	707,394	707,394
Money Market Shares	631,974	-	631,974	631,974
Share Certificates	415,391	3,833	419,224	419,224
IRA/KEOGH Accounts	45,875	-	45,875	45,875
TOTAL SHARES AND DEPOSITS	2,166,344	53,605	2,219,950	2,219,950
TOTAL LIABILITIES	2,215,505	53,778	2,269,283	2,269,283
EQUITY				
Undivided Earnings	184,575	5,315	184,575	184,575
Other Reserves	25,500	4,000	25,500	25,500
Appropriation For Non-Conforming Investments (SCU Only)	-	-	-	-
Equity Acquired in Merger ³	227	-	9,542	3,650
Accumulated Unrealized Gains (Losses) on Available for Sale Debt Securities ³	(46,103)	(1,297)	(47,400)	(48,103)
EQUITY TOTAL	164,199	8,018	172,217	167,621
TOTAL LIABILITIES, SHARES, & EQUITY	2,379,704	61,796	2,441,500	2,436,904
TOTAL NET WORTH	210,302	9,315	219,617	213,724
Net Worth Ratio	8.84%	15.07%	9.00%	8.77%
ACL Coverage	0.70%	3.04%	0.71%	0.70%

¹ Includes -\$5.6MM mark-to-market on HMSAE FCU's HTM investment securities, transferred to AFS of combined entity.

² HMSAE FCU loans adjusted for \$0.2MM in actual net charge-offs experienced in Q1 24.

³ -\$5.9MM mark-to-market on total investment securities reflected in HMSAE FCU's net worth and in "Equity Acquired in Merger" of the combined entity.

Income Statement FY 2023

(\$, 000s)	FY 2023 HSFCU	FY 2023 HMSAE FCU	Combined Entity
Interest On Member Loans	57,489	337	57,826
Interest On Loan Participations	2,885	-	2,885
Income On Investments	17,017	854	17,871
Dividend Expense	(18,909)	(184)	(19,093)
Interest Expense	(593)	-	(593)
Net Interest Income	57,888	1,007	58,895
Fee Income	8,140	-	8,140
Gain (Loss) Mtg	99	-	99
Gain (Loss) Mtg Derivatives	15	-	15
Gain (Loss) Mtg Svc Asst Impair	(1)	-	(1)
Unrealized Gain (Loss) Equity Secs	1,545	-	1,545
Misc Op Inc	12,926	41	12,967
Non-Interest Income	22,724	41	22,764
Compensation	(30,062)	-	(30,062)
Employee Benefits	(10,626)	-	(10,626)
Travel & Conf	(559)	(26)	(585)
Dues	(256)	-	(256)
Office Occupancy	(6,468)	(217)	(6,685)
Office Operations	(9,753)	(336)	(10,089)
Education & Promotion	(2,642)	(57)	(2,699)
Loan Servicing	(3,581)	(29)	(3,610)
Professional & O/S Svc	(6,955)	(93)	(7,048)
Members Insurance	(3)	-	(3)
Ncua Operating Fee	(372)	(12)	(384)
Annual Meeting	(14)	-	(14)
Other Operating Exp	(2,025)	(59)	(2,084)
Operating Expenses	(73,316)	(829)	(74,145)
Other Non-Operating Expense	234	(246)	(12)
Provision For Credit Losses	(3,896)	(239)	(4,134)
Net Income	3,634	(266)	3,368

Notes to Consolidated Financial Statements

- Consolidated financial statements as of December 31, 2024, to provide a full year consolidated income statement.
- Consolidated balance sheet includes two versions:
 - **Book Value:** both balance sheets aggregated together at book value.
 - **Adjusted:** following adjustments were made:
 - Uses the market value for total investment securities (both AFS & HTM securities) for HMSA Employees Federal Credit Union's ("HMSAE FCU").
 - HMSAE FCU's -\$5.9MM total unrealized loss on investment securities (AFS & HTM securities) recognized in "Equity Acquired in Merger" of the combined entity.
 - HMSAE FCU loans were adjusted for \$0.2MM in actual net charge-offs experienced in Q1 24. A large provision was made in Q4 23 related to this loan, which was subsequently charged off in the following quarter.



HMSA Employees' Federal CREDIT UNION

818 Keeaumoku Street • P.O. Box 860 • Honolulu, HI 96808 • Phone (808) 948-5154

HMSA EFCU Communication – Member FAQs

1. Why are you proposing to merge with Hawaii State Federal Credit Union?

After thoughtful consideration by both HMSA Employee's Federal Credit Union (HMSA EFCU) and Hawaii State Federal Credit Union (HSFCU)'s leadership, our merger is a strategic move to build a strong alliance and enhance service to our members. HSFCU shares our core values and commitment to enriching the lives of our members and the community, making them an excellent fit for our organization.

2. What are the benefits of this merger?

The merger will bring several benefits, including:

- *Enhanced value and services for our collective membership*
- *Increased financial strength and stability.*
- *Better ability to withstand competitive and regulatory challenges.*
- *Economies of scale that improve operational efficiency.*

3. How would this merger impact HMSA EFCU employees?

There will be no layoffs for either credit union involved because of this merger.

4. What would happen to HMSA EFCU's branch locations?

HSFCU has agreed to continue operations at HMSA EFCU's Keeaumoku location. HMSA EFCU's Kapolei location will close as HSFCU has a full-service branch within proximity. The merger would offer our members the convenience of 15 additional HSFCU branch locations including a call center across Oahu and on Maui.

5. How will my HMSA EFCU account(s) be impacted? Will my account number change? Will my online banking access change?

In the immediate future, your member number and online access will remain the same. Throughout this process, if your member or account numbers need to change, you will be notified well in advance, and will receive support every step of the way.

6. What happens if I am already a member of both credit unions?

Members who belong to both credit unions will be notified when there are any necessary changes or impact to their account(s). If you are a member of HSFCU, nothing will change with your HSFCU account.

7. What will happen to my HMSA EFCU Debit and/or Credit Card(s)?

In the immediate future, you will still be able to use your current debit and credit cards. We are committed to making any necessary transition as seamless as possible so you will continue to enjoy uninterrupted access to your money.

8. What will happen to my existing loans with HMSA EFCU?

In the immediate future, your loan will be serviced as usual. We are committed to making any necessary transitions as seamless as possible. There will be no changes to the terms or rates of your current loan.

9. What if I have questions or concerns about the merger?

HMSA EFCU leadership will be holding town hall discussions to discuss the merger, potential benefits to members and to answer questions. Information on these town halls will be communicated shortly. In addition, members are welcome to submit merger questions and comments to the NCUA website located in the member notice.

10. If approved, when will the merger be completed?

We do not have an exact date currently, but we plan to provide regular updates on the progress and any important milestones.



HMSA Employees' Federal CREDIT UNION

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Dear Valued Credit Union Members,

Please join us for informational sessions on the potential merger with Hawaii State Federal Credit Union (HSFCU). Your participation is crucial as we move forward together. Sign up now to stay informed and have your voice heard. Together, we can shape the future of our credit union community. Team members from HSFCU will also be onsite to answer any questions.

For Credit Union members employed by HMSA, please sign up for informational sessions via BlueWire.

For all other members, please call us at (808) 948-5154 to register to attend.

HMSA EFCU Informational Sessions

- **Thursday, September 5, 2024 (In-Person)**
HMSA Center / KOA/HAU Conference Room – 1st Floor
Noon-1pm
- **Tuesday, September 10, 2024 (In-Person)**
HMSA Center /KOA/HAU Conference Room – 1st Floor
Noon-1pm
- **Monday, September 23, 2024 (Via Webex)**
Conference call information will be provided after registration is received.
Noon-1pm
- **Tuesday, September 24, 2024 (In-Person)**
HMSA Center / KOA/HAU Conference Room – 1st Floor
4:00pm-5:00pm
- **Friday, October 4, 2024 (Via Webex)**
Conference call information will be provided after registration is received.
9:00am-10:00am

SPECIAL MEMBER MEETING:

- **Tuesday, October 15, 2024 (In-Person)**
HMSA Center /KOA/HAU Conference Room – 1st Floor
Noon-2pm
Last day for member votes



HMSA Employees' Federal CREDIT UNION

818 Keeaumoku Street • P.O. Box 860 • Honolulu, HI 96808 • Phone (808) 948-5154

H M S A Employees Federal Credit Union Ballot for Merger Proposal

Name of Member:

Account Number:

Your credit union must receive your electronic vote by Tuesday, October 15, 2024, at 2:00 pm.

The special meeting will be held at:

**HMSA KOA/HAU Conference Room
818 Ke'eaumoku Street, Honolulu, Hawaii 96814
October 15, 2024, at Noon to 2:00pm**

I have read the Notice of Special Meeting for the members of H M S A Employees Federal Credit Union. The meeting will be held on the above date to consider and act upon the merger proposal described in the notice. I vote on the proposal as follows (check one box):

- APPROVE the proposed merger and authorize the Board of Directors to take all necessary action to accomplish the merger.
- DO NOT APPROVE the proposed merger.

Print Name: _____

Signed: _____

Date: _____