

HMSA Employees' Federal CREDIT UNION

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

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 Waiālae Avenue, Suite 16-B6, Honolulu
- Hawaii Kai Branch, 6700 Kalanianaʻole 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
- Waikēle 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.

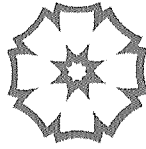
Enclosed with this Notice of Special Meeting is a Ballot for Merger Proposal. If you cannot attend the meeting, please complete the Ballot and return it to CU Ballot – Election Processing, P. O. Box 3156, Dublin, OH 43016. To be counted, your Ballot must be received by Tuesday, October 15, 2024, at noon.

BY THE ORDER OF THE BOARD OF DIRECTORS:



President
Date

8/9/2024



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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: _____