



Hershey
FEDERAL CREDIT UNION

2023 ANNUAL MEETING



Hershey
FEDERAL CREDIT UNION

We hold onto our credit union history as we move toward the future. We are proud of our growth these past few years and the support shown by our membership. We ARE prepared for the future, and all it holds.

Member Focused. Members Together.

Our members are the reason for our existence. We will always endeavor to exceed their expectations and maintain a high level of security with respect to their confidential information.

Care and Respect for Others

We have a mission to serve our members and take an active role in our communities. We recognize that members come to HFCU from diverse backgrounds and varied experiences. All members are to be treated with equal respect and care at all times.

Integrity

We adhere to the highest standards of conduct and moral behavior while maintaining the highest level of ethics in all of our actions.

Authenticity

At Hershey FCU, we believe authentic service from people who care is the means for excellent service. Our goal is to have every member know the service they received at Hershey FCU was given with genuine effort and in the member's best interest.

BUILDING COMMUNITY THROUGH CARE

Leadership Report

In 2022, Hershey Federal Credit Union continued to demonstrate growth in multiple areas including loans, shares, and membership. While the ever-changing economic climate is creating challenges for some banks, Hershey FCU is maintaining an adequate liquidity position, operating with core fiscal principals of safety and soundness, while continuing to serve the needs of our membership. Our mission is one of service to our members and the communities in which they reside. Hershey FCU continued to forge ahead with initiatives designed to grow the credit union and improve our service to members. Driven by our desire to provide our membership with the best products and services, we made great strides in 2022, and we are now looking ahead to new opportunities in digital technology that will help shape the future of the credit union.

One of the most important values of Hershey FCU is serving the membership with excellence, integrity, and engaging in the communities we serve as a primary focus. We want members to feel like being a part of Hershey FCU and utilizing our services is a benefit to the community in which they live and work. That their investment in Hershey FCU is an investment in their community. Your credit union gave back to the community through volunteer and donation efforts to local organizations such as the Caring Cupboard, the Hershey Food Bank, the Giving Tree of Hummelstown and Hershey, the Lebanon VA Hospital, and various other initiatives throughout the year. We continue to promote financial literacy through youth education programs and our easy-to-use Banzai financial education resources portal. Through Banzai, members can learn about buying or refinancing a home, consolidating debt in the best and most affordable manner, as well as programs designed around budgeting for youth and adults. We hope to bring these programs to local school districts and libraries in our area in the near future.

A main point of focus at Hershey FCU is making the member's financial experience match member needs. This means developing products and services that are both convenient and flexible for our membership, while offering service solutions that are tailored to your lifestyle. In late 2022, we took another big step in this direction with the project start of our new digital suite of products.

Leadership Report *Continued*

Hershey FCU is finalizing the process of becoming an ACH originator. This will allow our members to send money out or bring money into Hershey FCU from another financial institution. This product will integrate with our roll out of new digital technology slated for early July 2023. Partnering with Banno of Jack Henry, our current core system provider, Hershey FCU will be launching a new website experience. In conjunction with this, we will be launching new online banking and mobile banking platforms. All of these services will be integrated to provide a seamless experience for members that will give you more control and easier access to your finances. Members will be able to apply for loans, open new accounts and shares, manage their debit card and other services, and originate transfers form and to other financial institutions. These are industry standard solutions that give members a user experiences expected in today's digital world. We want our members who use the digital service options at Hershey FCU to have a first-rate experience, while you can rest assured knowing that we partner with stable and well-recognized industry leaders to ensure that your information is secure. Our team members take pride in the values of the credit union, including authentic, caring service for our members. We are here to help you navigate today's complex financial world.

Hershey FCU has seen membership increase 18% in the past 5 years. Over that same 5-year period, loans have grown 94% while shares grew 50%. Today, your credit union has assets exceeding \$100 million. We have put these resources to work and will continue to do so for our membership by improving operations, technology, and developing new products and services to enrich our members financial lives. Hershey Federal Credit Union exists to serve our membership and our community. We are thankful to have a growing loyal and diverse membership. We are proud of our history, and we are excited for the future ahead. We are committed to delivering an outstanding member experience, delivering products and services that benefit our membership, and engaging in volunteer activities that benefit the communities we serve.

Frank Wagner, Chairman

Joseph E Marchese, Chief Executive Officer

Treasurer's Report

During 2022, Hershey FCU demonstrated a strong financial position, which continued a trend of growth over the last few years, while adapting with an ever-changing economic environment. Assets increased 10.45% by \$9.728 million. Hershey FCU ended the year above \$100 million in assets. This asset growth was the result of strong loan production throughout the year. Member shares grew 4.55%, which was a much slower pace than that of 2021, impacted by rising inflationary costs on member spending and rapidly rising interest rates. Hershey FCU made efforts to grow member shares in the second half of the year to fund extraordinary loan growth, as loans grew by 19.52%. This rapid balance sheet growth impacted the net worth ratio of the credit union in 2021, but a net worth restoration strategy was put into effect and the credit union was able to boost the net worth from 7.27% in 2021 to 7.71% by years end in 2022. It is expected this will increase in 2023 as Hershey FCU takes a controlled approach on future growth and prioritizes capital growth.

The credit unions interest income increased by 15.13% in 2022. WSJ Prime was at 3.25% in February, but by years end it was at 7.50%. This rapidly rising interest rate environment directly attributed to interest income growth of 14.95%, combined with growing loan balances. The credit union recognized miscellaneous income of \$679,226 in 2022 accumulated through a combination of special dividends from corporate credit unions and Cares Relief tax credits. Overall net income for the year was \$1,091,117.

The condensed financial statement is included in the Annual Report. Please review it for more information. The financial analysis shows that Hershey FCU continues to be secure and well-positioned for sustainable growth, managing the challenges brought on by the current economy. I thank the Board of Directors, Committees, Management and Staff for their continued dedication and assistance during the year to make Hershey FCU a strong financial partner for our members and for our community.

Amy Hahn, Treasurer

ALCO Committee Report

The Asset/Liability Committee (ALCO) is made of Hershey FCU Board members and members of the Hershey FCU Senior Management Team. The committee meets to review loan and share rates, liquidity, investments and other financial and operational issues. The committee also discusses and reviews all the financial issues and has the authority to change rates, as needed, and act on other decisions. Asset and liability management is an important part of the credit union financial management. The Hershey FCU Board of Directors relies on the committee to act on their behalf and to be responsive to the needs of the credit union and its members. In 2023, Hershey FCU is positioned with adequate liquidity, a conservative investment approach, and controlled loan and asset growth. We have maintained an adaptable strategy for the ever-changing economic climate, and are well positioned for the future.

HFCU remains ready in its Asset and Liability Management approach to meet the needs of members, adapting to changing environments, and working to preserve the safety and soundness of the credit union.

I wish to thank the ALCO committee members: Paul Wagner, Jill Sottile, Michael Stern and Joseph Marchese for their assistance in 2022.

Amy Hahn, Treasurer

Statement of Financial Condition

Assets & Liabilities

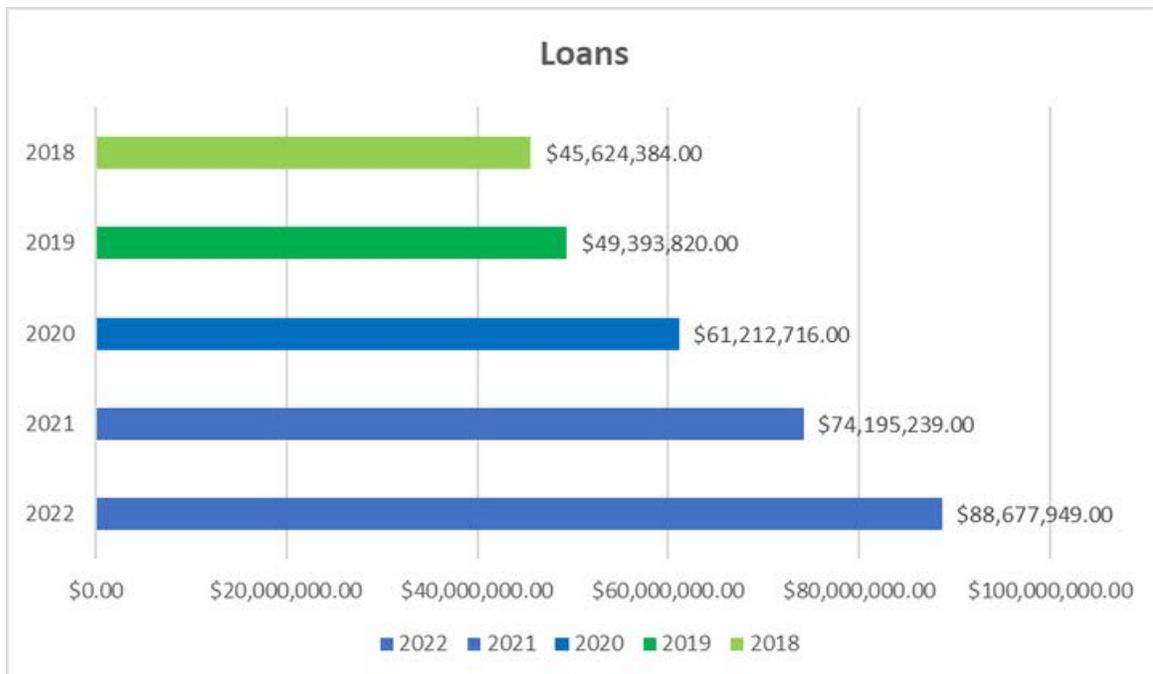
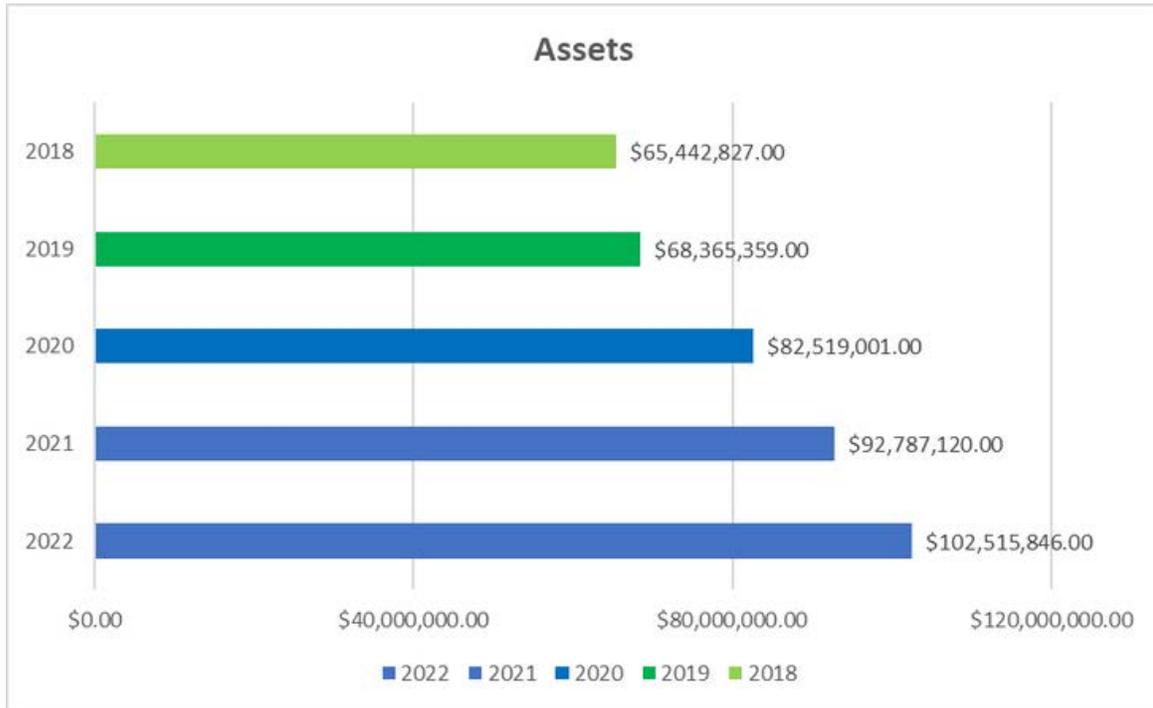
As of December 31, 2022 (Condensed)

| Assets | 2021 | 2022 |
|-----------------------------------|---------------------|----------------------|
| Loans (Net) | \$74,195,239 | \$88,677,949 |
| Cash & Investments | \$12,836,611 | \$8,153,059 |
| Other Assets | \$5,755,270 | \$5,684,838 |
| Total Assets | \$92,787,120 | \$102,515,846 |
| Liabilities | 2021 | 2022 |
| Deposits | \$85,701,505 | \$89,602,475 |
| Other Liabilities | \$427,526 | \$5,164,166 |
| Total Liabilities | \$86,129,031 | \$94,766,641 |
| Reserves | \$6,658,089 | \$7,749,205 |
| Total Liabilities/Reserves | \$92,787,120 | \$102,515,846 |

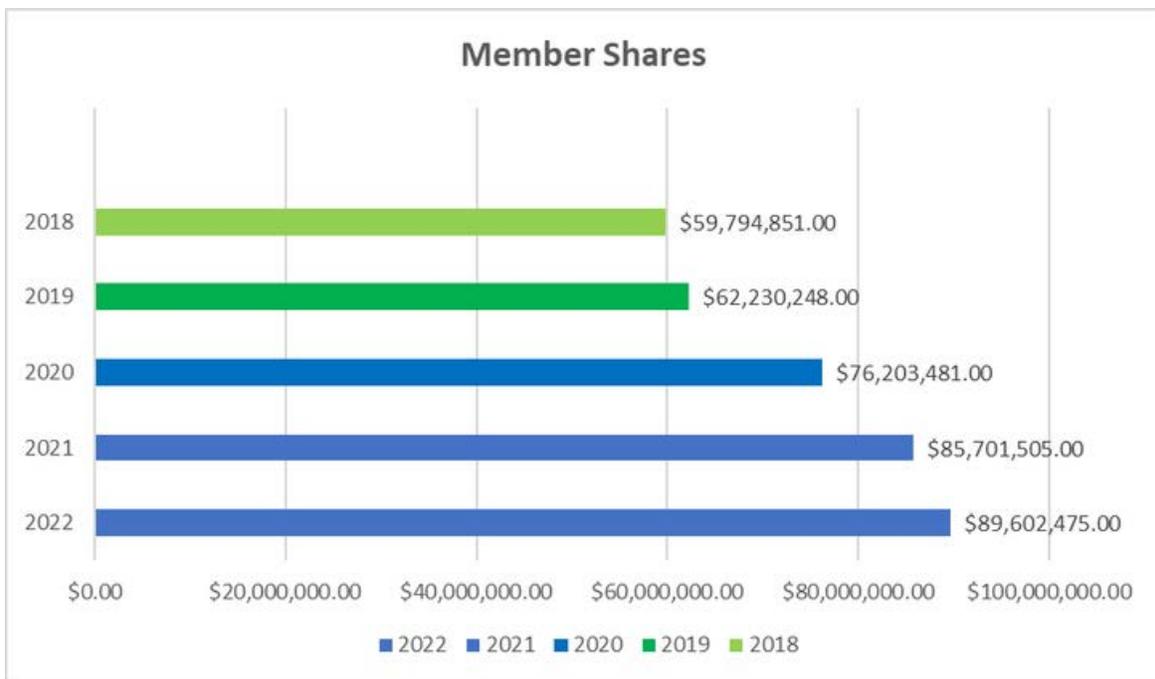
Income & Expenses

As of December 31, 2022 (Condensed)

| Income | 2021 | 2022 |
|-----------------------------|--------------------|--------------------|
| Interest on Loans | \$2,670,659 | \$3,070,013 |
| Interest on Investments | \$85,444 | \$103,085 |
| Other Income | \$862,547 | \$1,381,341 |
| Total Income | \$3,618,650 | \$4,554,439 |
| Expenses | 2021 | 2022 |
| Operating Expenses | \$3,084,101 | \$3,317,688 |
| Non-Operating Expenses | \$0 | \$0 |
| Net Income Before Dividends | \$534,549 | \$1,236,751 |
| Dividends | \$107,641 | \$145,634 |
| Total Income | \$426,908 | \$1,091,117 |



Financial Charts *Continued*



Supervisory Committee Report

The Supervisory Committee of Hershey Federal Credit Union complies with the guidelines set forth by the National Credit Union Administration and the bylaws of Hershey Federal Credit Union.

Commitment to safety and soundness is our foremost concern. In 2022, the committee engaged Feather CU Services, LLC to conduct the Supervisory Committee Annual Review of the financial statements. The review included tests of accounting records and auditing procedures. No material weaknesses were identified as a result of the review.

To conform with HFCU's commitment to the highest levels of safety and soundness, throughout 2022, the committee expanded the engagement with Chris Feather, CU Services, LLC to perform quarterly audits across various areas of the credit union to assess the adequacy of, and effectiveness of the internal controls.

The committee would like to thank the Board of Directors, Chief Executive Officer Joe Marchese, and the dedicated staff for their continued support and commitment to the safety and soundness of Hershey Federal Credit Union.

Daniel Davis, Director/Chairperson

Board of Directors

| | |
|---------------------|---------------------|
| Franklin D. Wagner | Chairperson |
| Rita F. Ramacciotti | Secretary |
| Amy Hahn | Treasurer |
| Paul R. Wagner | Assistant Treasurer |
| Dan Davis | Director |
| Colleen Gallo | Director |
| Richard F. Miller | Director Emeritus |
| William Sprandel | Director Emeritus |
| Ercoli DiVittore | Director Emeritus |
| Barbara McLaughlin | Director Emeritus |

Supervisory Committee

| | |
|----------------|------------------|
| Dan Davis | Chairperson |
| Diane Carroll | Committee Member |
| Elaine Royer | Committee Member |
| Dianne Bechtel | Committee Member |

Hershey FCU Management Team

| | |
|-----------------|-------------------------------------|
| Joseph Marchese | Chief Executive Officer |
| Jill Sottile | Chief Financial Officer |
| Michael Stern | Chief Member Experience Officer |
| Irene Malena | Assistant Vice President of Lending |
| Debbie Kremer | Branch Operations Team Leader |
| Janice Hocker | Compliance & E-Services Manager |
| Miranda Ikeda | Marketing Manager |



Hershey
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Hershey FCU in the Community



