



**Aloha Pacific**  
FEDERAL CREDIT UNION

# 2018 ANNUAL REPORT

## Management Message

In 2018, we hit all our growth goals while serving the needs of our members, staff and community. We held the line on all member fee increases, completed two branch renovations and welcomed two new credit unions into our ohana, including our first Neighbor Island branch. These accomplishments and our plans for 2019 are summarized below.

### 2018 Accomplishments:

**Financial Strength** – Net Income was ahead of budget at \$8.6 million. Our record income was due to healthy loan growth, lower than expected expenses and an accounting change for mortgage servicing rights (\$2.9 million). We also began to see the benefits of rising interest rates on our loan and investment income, which will help us in the coming year.

**Membership & Asset Growth** – Membership grew to 54,637 with 31,476 checking accounts. Loans increased \$61.6 million (+13.0%) to \$534.9 million. Shares increased \$35.1 million (+4.9%) to \$751.8 million. Total assets reached \$868.9 million, an increase of \$48.5 million (+5.9%). This was driven by two co-branded mergers – OTS Employees FCU (\$9.7 million) and Kekaha FCU (\$20.2 million).

**Branches** – We completed renovations of our Fort Street and Kaimuki branches, which brought back face-to-face member service.

Mergers added a new branch at TheBus station on Middle Street and in Kekaha on Kauai. They significantly expanded member eligibility to include TheBus, Handi-Van and all residents of Kauai.



**Education & Community** – Thanks to our members, volunteers and staff, we continued our support for Kapiolani Children’s Miracle Network, Salvation Army’s Angel Tree, Easter community events in Kaimuki and Waialeale, Pure Aloha Festival (Las Vegas), Making Strides Against Breast Cancer Walk, and the Honolulu City Lights, Kaimuki and Waimea (Kauai) Town Christmas parades.

Promoting financial literacy is a key objective. Our free estate planning, retirement and investment seminars continue to be very popular. The “Get REAL Financial Reality Fair” workshops for students at Farrington and McKinley high schools were also well received.

### 2019 & Beyond:

**New Maui Branch** – This year, we are opening our first branch in Kahului, Maui. The branch will be in the Puunene Shopping Center, 70 Hookele Street, Ste. 1210, where Target is located. Construction will be completed by the end of the year. In the interim, we have opened a temporary full-service branch located at 137 Kalepa Place, Kahului. Please come by and visit. Our long-term goal is to provide services on all the major islands.

*(continued on pg. 2)*



**Management Message** *(Continued)*


**Better Share Rates & Services** – On January 1, 2019, we announced a major increase in share certificate rates. We are also developing new products and services that are scheduled to be launched before the end of the year.

**Cyber Security & Infrastructure** – This year, we are investing heavily to enhance our cyber security, networks and back-up systems. While these enhancements may not be visible, rest assured that your credit union considers the safety and reliable access to your money a top priority.

As 2020 quickly approaches, we see great opportunities for growth both organically and through mergers, but remain focused on providing members with an exceptional experience at an affordable price. This requires people, processes and technology all working together. We expect to deliver even more value in the years ahead. Thank you for your loyalty and support.

Mahalo & Aloha,

  
 Gary Iwai  
 Board Chair

  
 Vince J. Otsuka  
 President and CEO



**WHO WE ARE**

**Aloha Pacific Federal Credit Union (APFCU)** is the third largest credit union in Hawaii, with over \$865 million in assets. Chartered in 1936 as the Honolulu City & County Employees Federal Credit Union, the credit union changed its name on July 1, 2007. It continues to serve its original charter of employees, retirees and families of the City & County of Honolulu but has expanded to include Select Employee Groups. NMLS #377314.

**CUSO of Hawaii Services LLC** is a wholly owned company of APFCU and was established in 2000. It offers residential and commercial mortgage loan servicing to 28 credit unions. NMLS #325608.

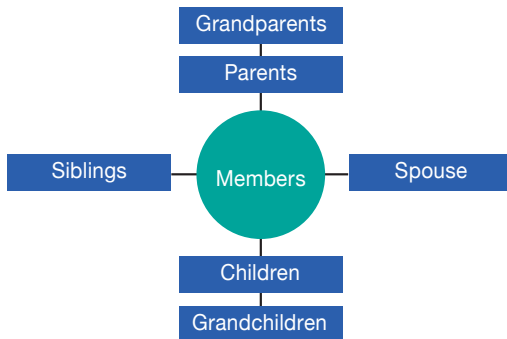
**Aloha Pacific Premier Realty**, a division of CUSO of Hawaii Properties LLC, was established in 2006. It is a full-service real estate company providing personalized realty services to both residential and commercial clients. RB-19315.

**Aloha Pacific Financial Group**, a division of APFCU, offers financial planning, investment and insurance advice to credit union members. Established in 2003, it is located at 832 South Hotel Street (Main branch) and formerly was known as Kalabash Financial.



**WHO WE SERVE**

There are no fees to join. Once a member, always a member. Even if you change jobs or retire, you can continue to enjoy our benefits. To join, you must belong to one of the groups (or common bonds) listed below and maintain \$5 in your savings account.



- ❖ Employees and retirees of the City & County of Honolulu; employees of Maui County
- ❖ Residents of the island of Kauai
- ❖ Service members, civilian employees, retirees and surviving spouses of Hawaii's Army or Air National Guard and Department of Defense
- ❖ Other SEGs (Select Employee Groups) as approved by the Board of Directors (over 2,300 groups including HGEA, Hawaii Pacific Health, Waipahu Community Association, all Oahu COSTCO stores, Hawaii Pacific University and many others)
- ❖ And immediate family or household members and organizations of such persons



# 2018 Annual Meeting Minutes

The 80th Annual Meeting of the members of Aloha Pacific Federal Credit Union was held on Wednesday March 14, 2018 at McCoy Pavilion, Honolulu, Hawaii.

Board of Directors Chair Gary Iwai called the meeting to order at 5:02 p.m. and requested that Board Secretary Darwin Hamamoto declare a quorum. Darwin Hamamoto declared a quorum with 396 registered.

Chair Iwai welcomed the guest speaker, City Managing Director Roy Amemiya, who addressed the members for a few minutes about the city's current projects. Chair Iwai thanked Managing Director Amemiya for his informative comments.

Chair Iwai stated that the Board of Directors is responsible for the interests of all members by setting limits and establishing the strategic direction for management. He recognized the following Board members, all volunteers, who were in attendance:

- Stanley Inamasu, 1st vice chair
- Allan Fujimoto, 2nd vice chair
- Darwin Hamamoto, secretary
- Robert Morita, director
- Geminiano "Toy" Arre Jr., director

Director Sam Moku was unable to attend.

Chair Iwai also introduced the following Supervisory Committee members who were in attendance:

- Howard Okamoto
- Ben Dimond

Chair Ann Sakurao, secretary Diane Murata and committee member Jonathan Tamanaha were unable to attend. The role of the Supervisory Committee is to ensure the credit union's financial condition is accurately represented in our financial statements and is in compliance with NCUA regulations.

CUSO Board members in attendance were:

- Daniel Tully, Vice Chair
- Ann Gima, Secretary
- Geminiano "Toy" Arre Jr., director
- Stanley Inamasu, director
- Allan Fujimoto, director

Chair Stanley Wachi and treasurer David Takiguchi were unable to attend.

Chair Iwai expressed his appreciation for these honorable volunteers, and said that he is proud to serve with these fellow members who generously give their time and expertise with no special benefits.

Chair Iwai announced that the minutes of the 2017 Annual Meeting are in our current Annual Report. The report is posted online and is available at the branches and at the Registration Desk of this meeting. He asked for a motion to approve. Allan Fujimoto made the motion and Howard Okamoto seconded. The

2017 Annual Meeting minutes were approved as presented by the membership.

Chair Iwai shared his thoughts on 2017's accomplishments:

- Our assets exceeded \$820 million dollars.
- Our loans had a recorded growth of \$66.1 million dollars or an increase of 16.2% for the year.
- Our dividends remained in line with other large credit unions and are above the banks'.
- We added new products and services.
- We participated in community events, conducted financial education seminars, and hosted an 80th Anniversary Celebration for members at the water park.
- Waimalu branch was successfully relocated and launched the new face-to-face teller pod design.
- Our income increased to \$5.2 million dollars.

Chair Iwai stated that looking forward we will re-invest some of our earnings into branch renovations that will feature face-to-face teller transactions and staff training.

- We are looking for growth in our membership and deposit base.
- Management will actively pursue credit union partnership mergers that will help the industry and our long-term financial position.
- We will focus on increasing usage of our online and mobile channels. He encouraged the members to start using their smartphones and devices to do banking transactions.

Chair Iwai expressed his appreciation of the members' support and allowing APFCU to be their primary source for financial advice and solutions.

Chair Iwai then introduced Vince Otsuka, president and CEO. Otsuka welcomed the members and guests and introduced his executive team in attendance:

- Thomas Santos, vice president of sales
- Norman Goo, vice president of lending & collections
- Kristopher Kono, vice president of risk management
- Scott Nishimura, vice president of commercial lending
- Barbara Carvalho, vice president of operations & e-channel (later, vice president of retail operations)

Randy Shinagawa, vice president & controller, was unable to attend.

Otsuka provided highlights on our 2017 accomplishments:

- Our Home Equity Line of Credit products were revamped with several fixed-rate tiers and continue to be the lowest rate in town.
- Instant-issue ATM and check cards are now available at all branches.
- Mobile application allows members to transfer funds to other APFCU members, transfer funds among all your APFCU accounts and make your APFCU credit card payments.

(continued on pg. 5)



**Kirk Caldwell**  
Mayor,  
City & County of  
Honolulu

## Message from Mayor Kirk Caldwell

It gives me great pleasure to send my warmest aloha to the officers, directors, staff and members of Aloha Pacific Federal Credit Union. Congratulations to your organization for its many achievements during 2018, which perpetuate your enduring mission of building lasting relationships.

Our community is grateful for your commitment to education, through financial reality fairs to educate our youth about real-world finances and the Masami Oishi Memorial Scholarships. Mahalo nui loa for your steadfast support of Honolulu City Lights, a spectacular holiday gift to our residents and visitors, and charitable programs such as Kapi'olani Children's Miracle Network and the Salvation Army Angel Tree program.

On behalf of the people of the City and County of Honolulu, I extend best wishes to Aloha Pacific Federal Credit Union for continued success in 2019, and sincere appreciation for your contributions to our community and local economy.

Kirk Caldwell  
Mayor, City and County of Honolulu

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## Treasurer's Report

The financial position and operating results of Aloha Pacific Federal Credit Union (APFCU) and its subsidiaries were consolidated for the year ended December 31, 2018, and are presented in this annual report. APFCU's officials, management and staff consider the safety of your funds as their top priority.

In 2018, assets increased \$48.5 million or 5.9%, to \$868.9 million. Shares increased \$35.1 million or 4.9%, to \$751.8 million. Loans outstanding increased \$61.6 million or 13.0%, to \$534.9 million. The credit union's equity of \$97.9 million, or 11.3% of total assets, is considered well-capitalized by the National Credit Union Administration's (NCUA) standard.

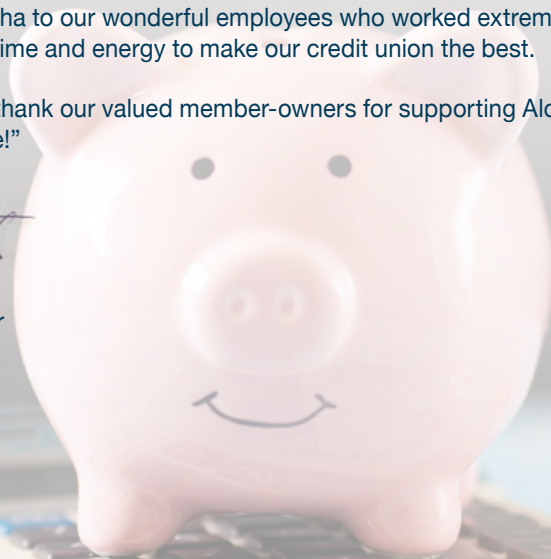
Total net income in 2018 was \$8.6 million, \$3.4 million higher than last year. This was due to increased loan and asset growth, plus a one-time accounting change for mortgage servicing rights. While loan losses increased, the loss percentage remains low. This is due to the integrity and creditworthiness of our member borrowers and continued sound lending practices.

APFCU paid out \$1.8 million in share dividends in 2018, which was competitive with Hawaii's largest credit unions and banks. With over 54,637 member-owners, APFCU continues to attract new accountholders and select employee groups. We continue to keep member fees low and remain very competitive on loan rates. All of this while promoting financial literacy, helping the community and other credit unions.

We express our Aloha to our wonderful employees who worked extremely hard to service our members' needs and volunteer officials who donated their time and energy to make our credit union the best.

Finally, we want to thank our valued member-owners for supporting Aloha Pacific Federal Credit Union. "When you have ALOHA, anything is possible!"

Darwin Hamamoto  
Secretary/Treasurer





## 2018 Annual Meeting Minutes *(Continued)*

- Mobile wallets with Apple, Google and Samsung Pay were introduced.
- New partnerships with Hawaii Pacific University and University of Nevada Las Vegas were created to increase membership with the younger generation.
- We completed our first co-branded merger in Hawaii with Hawaii National Guard FCU. This allowed them to retain their name while being a part of the APFCU ohana.

Otsuka provided information on the following 2018 projects that will help APFCU grow in deposits and focus on superior member service:

- Potential mergers with OTS Employees Federal Credit Union (Oahu) and Kekaha Federal Credit Union (Kauai).
- Renovations to Kaimuki and Fort Street branches to remove the RTS and bring face-to-face member service teller pods.
- Staff training to provide consultative type service.

Otsuka encouraged members to volunteer at events such as the McKinley High School financial reality fair, where students learn about managing their finances.

Otsuka thanked the membership for their continued support of APFCU's mission and vision of building lasting relationships through excellence, as our members' trusted source of financial advice and solutions.

Otsuka then announced a special presentation to recognize the dedication of member volunteers who have served on the Board of Directors or the Supervisory Committee. The award is named in honor of Moses "Moke" Lum Hoy, who faithfully serviced the membership as a director for over 45 years, from 1961 to 2006. For 2017, the following volunteer was recognized with the Moses "Moke" Lum Hoy Volunteer Service Award:

- Ann Sakurao, 20 years on the Supervisory Committee

Ann Sakurao was unable to attend the meeting.

Chair Iwai resumed the floor, thanked Otsuka and asked the membership if there was any Unfinished Business. There was no Unfinished Business.

Chair Iwai asked the membership if there was any New Business. There was no New Business.

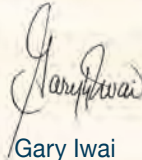
Chair Iwai advised the membership that since there were four qualified candidates to fill the four open Board seats, there was no election by ballot. The following candidates are existing Board members who are approved for two-year terms:

- Allan Fujimoto
- Stanley Inamasu
- Robert Morita
- Gary Iwai

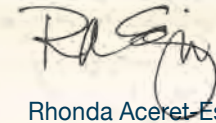
Chair Iwai encouraged the members to volunteer for committees and programs. This would allow them to learn about the credit union and provide community service.

There being no further business, Chair Iwai declared the Annual Meeting adjourned at 5:54 p.m.

Respectfully Submitted,



Gary Iwai  
Board Chair



Rhonda Aceret-Espinas  
Recording Secretary



## Financial Statements

Financial Condition (Unaudited)	Dec 31, 2018	Dec 31, 2017
<b>ASSETS</b>		
Cash & Equivalents	\$ 36,178,080	\$ 43,613,148
Investments	245,362,166	259,898,822
Loans	534,905,327	473,323,958
Allowance for Loan Losses	(5,490,032)	(3,602,609)
Net Loans	529,415,295	469,721,349
Property & Equipment	37,481,706	32,078,354
Other Assets	20,434,897	15,102,934
<b>TOTAL ASSETS</b>	<b>\$ 868,872,144</b>	<b>\$ 820,414,607</b>
<b>LIABILITIES &amp; EQUITY</b>		
Accounts Payable & Other Liabilities	\$ 19,204,976	\$ 15,219,777
Member Shares	\$ 751,751,460	\$ 716,662,255
Equity		
Regular Reserves	22,528,698	22,528,698
Undivided Earnings	70,387,010	62,153,877
Appropriated Undiv. Earn	5,000,000	3,850,000
Total Equity	\$ 97,915,708	\$ 88,532,575
<b>TOTAL LIABILITIES, SHARES &amp; EQUITY</b>	<b>\$ 868,872,144</b>	<b>\$ 820,414,607</b>
<b>Income (Unaudited)</b>		
	Dec 31, 2018	Dec 31, 2017
<b>Interest Income</b>		
Interest on Loans	\$ 19,938,918	\$ 16,943,488
Income on Investments	6,170,276	5,758,886
Total Interest Income	\$ 26,109,194	\$ 22,702,374
<b>Interest Expense</b>		
Dividends to Members	\$ 1,817,461	\$ 1,330,114
Other Cost of Funds	-	-
Total Interest Expense	\$ 1,817,461	\$ 1,330,114
Net Interest Income	\$ 24,291,733	\$ 21,372,260
Provision for Loan Losses	1,926,939	1,429,055
Net Int Inc After Provision for Loan Losses	\$ 22,364,794	\$ 19,943,205
Non-Interest Income	\$ 12,008,587	\$ 8,273,073
<b>Non-Interest Expense</b>		
Salaries & Benefits	\$ 11,574,196	\$ 11,447,226
*Office Occupancy	3,437,042	3,422,384
**Office Operations	5,956,294	5,235,805
Education & Promotion	1,604,145	1,497,597
Professional Services	1,367,531	1,138,741
Insurance Fund & NCUA Operating Fees	216,688	177,950
Loan Servicing	1,034,255	1,017,418
Other (Annual Meeting, Travel, Dues, etc.)	613,879	555,989
Total Non-Interest Expense	\$ 25,804,030	\$ 24,493,110
Total Income from Operations	\$ 8,569,351	\$ 3,723,168
Non-Operating Gain / (Loss)	(832)	1,454,193
<b>NET INCOME</b>	<b>\$ 8,568,519</b>	<b>\$ 5,177,361</b>

\*Rent, maintenance, building depreciation, utilities & taxes

\*\*Software, hardware, furniture & equipment depreciation, card expenses, insurance & other miscellaneous

## Committees:

### SUPERVISORY COMMITTEE:

Ann Sakurao - Chair  
Howard Okamoto - Vice Chair  
Diane Murata - Secretary  
Ben Dimond  
Jonathan Tamanaha

### ALCO STRATEGIC:

Geminiano 'Toy' Arre Jr. - Chair  
Stanley Inamasu - Vice Chair  
Allan Fujimoto  
Robert S. Morita  
Samuel Moku  
Vince J. Otsuka  
Kristopher C. Kono  
Randy Shinagawa

### OPERATIONAL ALCO:

Vince J. Otsuka - Chair  
Geminiano 'Toy' Arre Jr.  
Norman Goo  
Kristopher C. Kono  
Randy Shinagawa  
Scott Nishimura

### HUMAN RESOURCES

Robert S. Morita - Chair  
Darwin Hamamoto - Vice Chair  
Allan Fujimoto  
Stanley Inamasu  
Howard Okamoto

### NOMINATIONS / ELECTIONS

Stan Miyata - Chair  
Stanley Inamasu - Vice Chair  
Lorene Fujimoto

## Contact Us:

### BY PHONE

Aloha Pacific FCU  
Oahu: 531-3711  
Toll free: 1-877-531-3711

Hawaii National Guard CU  
Oahu: 737-5714  
Toll free: 1-877-218-6906

OTS Employees CU: (808) 847-8560

Kekaha CU: (808) 337-1433

### BY MAIL

Aloha Pacific Federal Credit Union  
832 South Hotel Street  
Honolulu, HI 96813

### BY INTERNET

Websites: alohapacific.com, hngcu.com, otsecu.com, kekahacu.com  
E-mail: support@alohapacific.com

### DIRECTORS

To contact our board members and committee members, please mail correspondence to:  
Aloha Pacific Federal Credit Union  
Attn: <Board Member's Name>  
832 South Hotel Street  
Honolulu, HI 96813



## Aloha Pacific Federal Credit Union - Board of Directors



**Gary Iwai**  
Chair  
Director Since 1997



**Stanley Inamasu**  
1st Vice Chair  
Director Since 2007



**Allan Fujimoto**  
2nd Vice Chair  
Director Since 2002



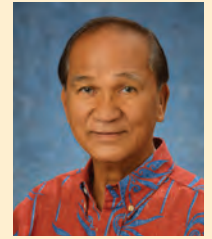
**Darwin Hamamoto**  
Secretary  
Director Since 1982



**Robert S. Morita**  
Director  
Director Since 2013



**Samuel Moku**  
Director  
Director Since 2013



**Geminiano 'Toy'  
Arre Jr.**  
Director  
Director Since 2015

## Aloha Pacific Federal Credit Union - Executive Management



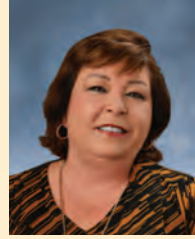
**Vince J. Otsuka**  
President and CEO



**Kristopher C. Kono**  
Vice President  
Risk Management



**Norman Goo**  
Vice President  
Lending &  
Collections



**Barbara J.L.  
Carvalho**  
Vice President  
Retail Operations



**Randy Shinagawa**  
Vice President  
Controller



**Scott Nishimura**  
Vice President  
Commercial Lending

## CUSO of Hawaii - Board of Directors



**Stanley Wachi**  
Chair  
Director Since 2000



**Daniel Tully**  
Vice Chair  
Director Since 2001



**Ann Gima**  
Secretary  
Director Since 2010



**David Takiguchi**  
Treasurer  
Director Since 2005



**Stanley Inamasu**  
Director  
Director Since 2016



**Allan Fujimoto**  
Director  
Director Since 2017



**Darwin Hamamoto**  
Director  
Director Since 2018

## Supervisory Committee

According to the National Credit Union Administration's (NCUA) Rules and Regulations, the Supervisory Committee is responsible for ensuring that an annual financial audit is conducted, verification of member accounts is performed at least once every two years, and an annual report is prepared and presented to the members at the annual meeting.

To meet these requirements, Moss Adams LLP conducted the financial audit in accordance with generally accepted auditing standards and found that, the consolidated financial statements fairly present, in all material respects, the financial position of the Aloha Pacific Federal Credit Union and Subsidiaries in accordance with generally accepted accounting principles. The financial statements include our credit union service organization CUSO of Hawaii LLC (a for-profit organization).

Other Supervisory Committee responsibilities include attending Board of Directors and committee meetings, researching member complaints, verifying closed accounts, and monitoring the overview and findings of the Federal Examiner, external financial audit and internal control program.

The Board of Directors and management have met required financial reporting objectives and established procedures to safeguard our members' assets. Their dedicated efforts to serve our members ensure that our Credit Union will maintain its sound financial condition and continue to perform in a diligent and creditable manner.

**Ann Sakurao**  
Supervisory Committee Chair



832 South Hotel Street • Honolulu Hawaii 96813  
www.alohapacific.com

## 81<sup>st</sup> Annual Meeting Notice

**When:** Tuesday, March 19, 2019 at 5:00 pm  
Member registration begins at 4:00 pm

**Where:** McCoy Pavilion, Ala Moana Park,  
1201 Ala Moana Blvd., Honolulu, HI 96814

*No RSVP necessary. Gift, bento, refreshments and door prizes for attending primary members (while supplies last).*

Visit our websites or call us at 531-3711 or 877-531-3711 toll free for more information.  
alohapacific.com ■ hngcu.com ■ otsecu.com ■ kekahacu.com



## Branch Locations:

### ALOHA PACIFIC FEDERAL CREDIT UNION

#### **MAIN BRANCH**

832 SOUTH HOTEL STREET  
HONOLULU, HAWAII 96813  
Mon - Fri: 7:30 am - 5:00 pm

#### **FORT STREET BRANCH**

988 FORT STREET MALL  
HONOLULU, HAWAII 96813  
Mon - Fri: 7:30 am - 5:00 pm

#### **KAHULUI BRANCH**

137 KALEPA PLACE  
KAHULUI, HAWAII 96732  
Mon - Fri: 9:00 am - 5:00 pm

#### **KAILUA BRANCH**

200 HAMAKUA DRIVE, SUITE B6  
KAILUA, HAWAII 96734  
Mon - Fri: 9:00 am - 6:00 pm  
Sat: 9:00 am - 2:00 pm

#### **KAIMUKI BRANCH**

3625 HARDING AVENUE  
HONOLULU, HAWAII 96816  
Mon - Fri: 9:00 am - 6:00 pm  
Sat: 9:00 am - 2:00 pm

#### **KAPOLEI BRANCH**

1001 KAMOKILA BOULEVARD,  
SUITE 104  
KAPOLEI, HAWAII 96707  
Mon - Fri: 9:00 am - 6:00 pm  
Sat: 9:00 am - 2:00 pm

#### **WAIKELE BRANCH**

94-799 LUMIAINA STREET,  
UNIT 2-A2  
WAIKAPU, HAWAII 96797  
Mon - Fri: 9:00 am - 6:00 pm  
Sat: 9:00 am - 2:00 pm

#### **WAIMALU BRANCH**

98-1277 KAAHUMANU STREET,  
SUITE 143  
AIEA, HAWAII 96701  
Mon - Fri: 9:00 am - 6:00 pm  
Sat: 9:00 am - 2:00 pm

#### **HENDERSON BRANCH**

9555 S. EASTERN AVENUE,  
SUITE 150  
Las Vegas, NV 89123  
Mon - Fri: 9:30 am - 5:30 pm  
Sat: 9:30 am - 2:00 pm

### HAWAII NATIONAL GUARD CREDIT UNION

**DIAMOND HEAD BRANCH**  
3949 DIAMOND HEAD ROAD  
HONOLULU, HAWAII 96816  
Mon - Fri: 8:30 am - 3:30 pm

#### **KALAELOA BRANCH**

91-1179 ENTERPRISE AVENUE, A104  
KAPOLEI, HAWAII 96707  
Tue - Thu: 9:00 am - 2:00 pm

### OTS EMPLOYEES CREDIT UNION

811 MIDDLE STREET  
HONOLULU, HAWAII 96819  
Mon - Fri: 8:00 am - 4:00 pm

### KEKAHA CREDIT UNION

8254 KEKAHA ROAD  
KEKAHA, HAWAII 96752  
Mon - Fri: 9:00 am - 4:00 pm