



Aloha Pacific[®]
FEDERAL CREDIT UNION

2019 Annual Report

Management's Message

2019 was a solid year with many accomplishments. We completed our largest merger to date; opened a second neighbor island branch; increased our share rates; and added several new products.

2019 Accomplishments:

Financial Strength – Net Income was a healthy \$3.4 million. We benefited from the increase in interest rates in 2018 which increased our 2019 yields. Plus, we increased our loan-to-asset mix while adding to our reserves.

Membership & Asset Growth – Membership grew to 62,423 with 36,806 checking accounts. Net loans increased almost \$60.0 million (+11.33%) to \$589.4 million. Shares increased \$63.4 million (+8.44%) to \$815.2 million. Total assets reached \$968.3 million, an increase of \$102.4 million (+11.82%). This was driven by our merger with Hawaii Pacific Federal Credit Union (\$47.5 million in assets and 4,584 members).

Better Share Rates & Services – In cooperation with Maui Federal Credit Union, we opened our first temporary Maui branch in Kahului in February. In November, we moved to our permanent location in the new Pu'unene Shopping Center. Under this unique partnership, we installed a video teller machine outside their branch and offered Maui FCU a desk in our new branch.

In November, we launched our Aloha Rewards Checking accounts, which offer a choice between premium rates, rewards or cash back, and the partner Aloha Rewards Money Market Savings accounts.



Because mobile banking is the future, we improved the look, feel and functionality of our mobile application, adding single sign-on for both debit card control and card rewards.

Cyber Security & Infrastructure – We upgraded our core processing servers, terminals and ATMs to Windows 10. We added multiple back-up sites on the mainland for our core system and created a department to specifically handle cyber security.

Education & Community – We awarded 16 scholarships, including one for a Kekaha CU member, for a total of \$32,000. Also, members and staff raised \$10,627 for Kapiolani Children's Miracle Network and our branches once again hosted The Salvation Army's Angel Trees.

We sponsored or participated in a number of events. **Oahu:** Honolulu City Lights and Kaimuki Christmas parades, Board of Water Supply's calendar contests, Get REAL Financial Reality Fairs at Farrington and McKinley high schools, Making Strides Against Breast Cancer

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Management's Message (Continued)

Walk, Hawaii Foodbank's 30th annual food drive, Kapiolani Children's Miracle Network Radiothon for Kids fundraiser, the Mango Jam festival; **Maui:** Valley Isle Keiki Fest, Maui Fair, Maui Family YMCA Diabetes Fair; **Las Vegas:** Pure Aloha Festival, tailgating for members at the UNLV-UH football game; **Kauai:** Mayor-a-thon fitness event, Waimea Town Celebration, Reading Buddies program at Kekaha Elementary, Emalani Festival, Kauai Pride Day, Salvation Army bell ringing and much more.


2020 & Beyond:

This year we will focus on share growth in a challenging interest rate environment and continue to improve our information technology infrastructure. We now offer IRA certificates and look to maintain our share rates even as market rates have fallen.

We will also be investing in staff training as part of our commitment to offer you the very best financial advice and solutions. Remember, "When you have Aloha, anything is possible!" Thank you for your 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 \$968 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.

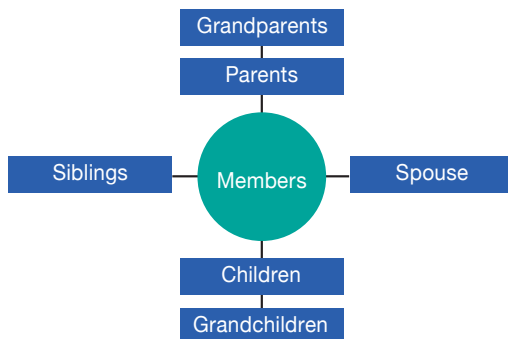
Aloha Pacific Financial Group, a division of APFCU, offers financial planning, investment and insurance advice to credit union members. Established in 2003, it is located at 832 South Hotel Street (Main branch) and formerly was known as Kalabash Financial.



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, Oahu Transit Services, American Casino & Entertainment Properties, Sears, Ala Moana Center retailers, Hawaii Pacific University and many others)
- ❖ And immediate family or household members and organizations of such persons



2019 Annual Meeting Minutes

The 81st Annual Meeting of the members of Aloha Pacific Federal Credit Union was held on Tuesday, March 19, 2019 at McCoy Pavilion, Honolulu, Hawaii.

Board of Directors Chair Gary Iwai called the meeting to order at 5:02 p.m. and requested Board Secretary Darwin Hamamoto to declare a quorum. Hamamoto declared a quorum with 369 registered members.

Chair Iwai welcomed the guest speaker, Mayor Kirk Caldwell, who thanked the members and outlined several city initiatives, including renovations to McCoy Pavilion and Ala Moana Beach Park. Chair Iwai thanked Mayor Caldwell 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 who were in attendance:

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

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

- Howard Okamoto
- Diane Murata
- Ben Dimond

The role of the Supervisory Committee is to ensure that the credit union's financial condition is accurately represented in our financial statements and in compliance with NCUA regulations.

CUSO Board members in attendance were:

- Ann Gima, secretary
- Geminiano "Toy" Arre Jr., director
- Stanley Inamasu, director
- Darwin Hamamoto, director

Chair Iwai expressed his appreciation and stated that he was proud to serve with the honorable volunteers listed above who generously give their time and expertise with no special benefits.

Chair Iwai announced that the minutes of the 2018 Annual Meeting were in the current Annual Report. It was posted online and was available at the branches and at the Registration Desk of this meeting, and he asked for a motion to approve. Darwin Hamamoto made the motion and Stanley Inamasu seconded. The 2018 Annual Meeting minutes were approved as presented by the membership.

Chair Iwai shared his thoughts on 2018's accomplishments:

- Our assets exceeded \$868.9 million dollars
- Our loans had a growth of \$61.6 million or an increase of 13% for the year
- Our shares increased \$35.1 million or an increase of 4.9% for the year
- Merged with OTSEFCU – Bus and Handi-Van employees
- Merged with Kekaha FCU, Kauai – first neighbor island branch
- Expanded community involvement on Kauai
- Renovated Fort Street and Kaimuki branches
- Income increased to \$8.6 million

Chair Iwai stated that looking forward we will re-invest some of the earnings into adding new member benefits, expanding the branch network, and improving the computer network and security.

Organic membership and growth are a top priority and we will focus on:

- Adding a Maui branch
- Increasing member dividends and rewards
- Enhancing and improving mobile and online banking
- Additional staff training to continue to provide members with excellent financial advice

We will continue to pursue other credit union partnership mergers that will help the industry and our long-term financial position.

Chair Iwai expressed his appreciation of the members' support, for allowing APFCU to be their primary source of 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:

- Norman Goo, vice president of lending & collections
- Kristopher Kono, vice president of risk management
- Barbara Carvalho, vice president of retail operations
- Scott Nishimura, vice president of commercial lending
- Randy Shinagawa, vice president & controller

Otsuka provided highlights of the credit union's 2018 accomplishments:

- Successful mergers with OTSEFCU and Kekaha FCU
- Improved Platinum VISA – no-fee cash advances, reward points that never expire, no foreign transaction fee when using cards overseas

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Kirk Caldwell
Mayor,
City & County of
Honolulu

Message from Mayor Kirk Caldwell

I am pleased to congratulate Aloha Pacific Federal Credit Union officers and board of directors on another year of excellent service to our City and County of Honolulu employees and to the people of our islands.

Personal service is one of the key benefits of credit union membership. The consistently helpful staff provides valuable assistance needed for members to make appropriate and affordable financial decisions. This excellent level of service stems from Aloha Pacific's enduring mission of building lasting relationships.

The credit union demonstrates its commitment to education and support of charitable programs and projects through the Masami Oishi Memorial Scholarship and participating in a range of charitable and community service programs.

On behalf of the people of the City and County of Honolulu, I extend deep appreciation to the Aloha Pacific Federal Credit Union for providing valuable services to members and contributing to our community and local economy.

Kirk Caldwell
Mayor, City and County of Honolulu

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, 2019 and are presented in this annual report. APFCU's officials, management and staff consider the safety of your funds as their top priority.

In 2019, assets increased \$102.4 million (+11.82%), to \$968.3 million. Net Loans increased almost \$60.0 million (+11.33%) to \$589.4 million and Shares increased \$63.4 million (+8.44%) to \$815.2 million. The credit union's equity was \$103.9 million, or 10.73% of total assets, which is considered well-capitalized by the National Credit Union Administration's (NCUA) standard.

Total net income in 2019 was \$3.4 million, slightly less than last year's \$5.6 million. The decrease was due to increased advertising expenses and higher dividend rates. Loan losses grew but remain under control due to our sound lending practices.

APFCU paid out \$2.6 million in share dividends in 2019 which was higher than last year and competitive with other financial institutions in Hawaii. Membership stood at 62,423 member-owners as APFCU continues to attract new member accounts by keeping fees low, rates competitive and serving others by promoting financial literacy and helping the community and other credit unions.

Finally, we want to thank our valued member-owners and employees for supporting the credit union.

Darwin Hamamoto
Secretary/Treasurer

2019 Annual Meeting Minutes *(Continued)*

Otsuka provided information on the upcoming 2019 projects:

- Invest in IT projects to ensure the security of members' personal data with current updates and systems
- Replace core system network infrastructure
- Upgrade systems to Windows 10
- Invest in new delivery channels, products and services
- Permanent Maui branch to be located at the Pu'unene Shopping Center before the end of 2019
- New ATM to be located at the University of Nevada-Las Vegas Campus Center

Otsuka encouraged members to volunteer at credit union events such as the McKinley and Farrington high schools Get REAL Financial Reality Fairs, 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 and to be 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 served the membership as a director for more than 45 years from 1961 to 2006. For 2018, the following volunteer was recognized with the Moses "Moke" Lum Hoy Volunteer Service Award:

- Darwin Hamamoto, for 35 years on the Board of Directors

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

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

- Darwin Hamamoto
- Sam Moku
- Geminiano "Toy" Arre Jr.

Chair Iwai encouraged the membership to volunteer for committees and programs. He said that volunteering would allow members 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-Espinosa
Recording Secretary



Financial Statements

Consolidated Statements of Financial Condition (Unaudited)	Dec 31, 2019	Dec 31, 2018
ASSETS		
Cash & Equivalents	\$ 49,997,495	\$ 36,178,080
Investments	275,928,126	245,362,166
Loans	595,346,645	534,905,327
Allowance for Loan Losses	(5,954,111)	(5,490,032)
Net Loans	589,392,534	529,415,295
Property & Equipment	33,504,188	37,481,706
Other Assets	19,517,266	17,510,298
TOTAL ASSETS	\$ 968,339,609	\$ 865,947,545
LIABILITIES & EQUITY		
Accounts Payable & Other Liabilities	\$ 49,287,181	\$ 19,204,976
Member Shares	\$ 815,193,090	\$ 751,751,460
Equity		
Regular Reserves	22,528,698	22,528,698
Undivided Earnings	76,330,640	67,462,411
Appropriated Undiv. Earn	5,000,000	5,000,000
Total Equity	\$ 103,859,338	\$ 94,991,109
TOTAL LIABILITIES, SHARES & EQUITY	\$ 968,339,609	\$ 865,947,545

Consolidated Statements of Income (Unaudited)	Dec 31, 2019	Dec 31, 2018
Interest Income		
Interest on Loans	\$ 23,040,670	\$ 19,938,918
Income on Investments	6,252,759	6,170,275
Total Interest Income	\$ 29,293,429	\$ 26,109,193
Interest Expense		
Dividends to Members	\$ 2,573,446	\$ 1,695,282
Other Cost of Funds	150,434	122,179
Total Interest Expense	\$ 2,723,880	\$ 1,817,461
Net Interest Income	\$ 26,569,549	\$ 24,291,732
Provision for Loan Losses	2,059,088	1,926,939
Net Int Inc After Provision for Loan Losses	\$ 24,510,461	\$ 22,364,793
Non-Interest Income		
	\$ 9,692,318	\$ 9,083,987
Non-Interest Expense		
Salaries & Benefits	\$ 14,215,272	\$ 11,574,194
*Office Occupancy	3,986,749	3,437,042
**Office Operations	6,407,994	5,956,294
Education & Promotion	2,196,581	1,604,145
Professional Services	1,910,514	1,367,531
Insurance Fund & NCUA Operating Fees	234,074	216,688
Loan Servicing	1,085,704	1,034,255
Other (Annual Meeting, Travel, Dues, etc.)	618,798	613,880
Total Non-Interest Expense	\$ 30,655,686	\$ 25,804,029
Total Income from Operations	\$ 3,547,093	\$ 5,644,751
Non-Operating Gain / (Loss)	(98,471)	(832)
NET INCOME	\$ 3,448,622	\$ 5,643,919

*Rent, maintenance, building depreciation, utilities & taxes

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

Committees:

SUPERVISORY:

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

STRATEGIC ALCO:

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

STRATEGIC PLANNING:

Stanley Inamasu - Chair
Darwin Hamamoto
Allan Fujimoto

HUMAN RESOURCES:

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

NOMINATIONS / ELECTIONS:

Stan Miyata - Chair
Geminiano 'Toy' Arre Jr. - Vice Chair
Lorene Fujimoto

Contact Us:

BY PHONE

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

Hawaii National Guard CU
808-737-5714

OTS Employees CU: 808-847-8560

Kekaha CU: 808-337-1433

BY MAIL

Aloha Pacific Federal Credit Union
3465 Waiialae Avenue, Suite 400
Honolulu, HI 96816

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>
3465 Waiialae Avenue, Suite 400
Honolulu, HI 96816

For inquiries about credit union oversight, please mail
correspondence to the Supervisory Committee at
P.O. Box 1377
Aiea, HI 96701

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



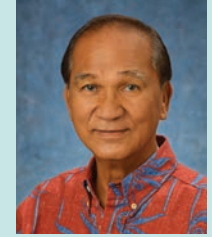
Darwin Hamamoto
Secretary
Director Since 1982



Robert S. Morita
Director
Director Since 2013



Samuel Moku
Director
Director Since 2013

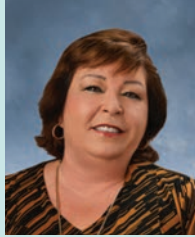


**Geminiano 'Toy'
Arre Jr.**
Director
Director Since 2015

Aloha Pacific Federal Credit Union - Executive Management



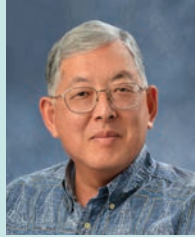
Vince J. Otsuka
President and CEO



Barbara J.L. Carvalho
Senior Vice President
Chief Operating
Officer



Norman Goo
Senior Vice President
Chief Lending
Officer



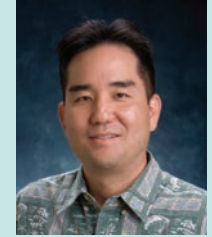
Mark Yamane
Senior Vice President
Chief Financial
Officer



Kristopher C. Kono
Vice President
Risk Management



Weni Amrich
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



Allan Fujimoto
Director
Director Since 2017



Darwin Hamamoto
Director
Director Since 2018



Robert S. Morita
Director
Director Since 2019

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 organizations CUSO of Hawaii Services LLC and CUSO of Hawaii Investments LLC.

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

Ann Sakurao
Supervisory Committee Chair



Aloha Pacific[®]
FEDERAL CREDIT UNION

3465 Waiālae Avenue, Suite 400 • Honolulu, Hawaii 96816
www.alohapacific.com



82nd Annual Meeting Notice

When: Tuesday, March 17, 2020 at 5 pm
Member registration begins at 4 pm (*please bring a photo ID*)

Board of Directors balloting from 4 to 5 pm for members
who hadn't voted at a branch

Where: McKinley High School cafeteria, 1039 S. King St, 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 for more information.
alohapacific.com ■ hngcu.com ■ otsecu.com ■ kekahacu.com

Branch Locations in Hawaii and Las Vegas:

ALOHA PACIFIC FEDERAL CREDIT UNION

MAIN BRANCH

832 South Hotel Street
Honolulu, Hawaii 96813
Monday - Friday: 7:30 am - 5 pm

FORT STREET BRANCH

988 Fort Street Mall
Honolulu, Hawaii 96813
Monday - Friday: 7:30 am - 5 pm

KAHULUI BRANCH

Pu'unene Shopping Center
70 Ho'okele Street, Suite 1210
Kahului, Hawaii 96732
Monday - Friday: 9 am - 5 pm
Saturday: 9 am - 1 pm

KAILUA BRANCH

200 Hamakua Drive, Suite B6
Kailua, Hawaii 96734
Monday - Thursday: 9 am - 5 pm
Friday: 9 am - 6 pm
Saturday: 9 am - 2 pm

KAIMUKI BRANCH

3625 Harding Avenue
Honolulu, Hawaii 96816
Monday - Thursday: 9 am - 5 pm
Friday: 9 am - 6 pm
Saturday: 9 am - 2 pm

KAPOLEI BRANCH

1001 Kamokila Boulevard,
Suite 104
Kapolei, Hawaii 96707
Monday - Thursday: 9 am - 5 pm
Friday: 9 am - 6 pm
Saturday: 9 am - 2 pm

WAIKELE BRANCH

94-799 Lumiaina Street,
Unit 2-A2
Waipahu, Hawaii 96797
Monday - Thursday: 9 am - 5 pm
Friday: 9 am - 6 pm
Saturday: 9 am - 2 pm

WAIMALU BRANCH

98-1277 Kaahumanu Street,
Suite 143
Aiea, Hawaii 96701
Monday - Thursday: 9 am - 5 pm
Friday: 9 am - 6 pm
Saturday: 9 am - 2 pm

HENDERSON BRANCH

9555 S. Eastern Avenue,
Suite 150
Las Vegas, Nevada 89123
Monday - Friday: 9 am - 5 pm
Saturday: 9:30 am - 2 pm

HAWAII NATIONAL GUARD CREDIT UNION

DIAMOND HEAD BRANCH

3949 Diamond Head Road
Honolulu, Hawaii 96816
Monday - Friday:
8:30 am - 3:30 pm

KALAELOA BRANCH

91-1179 Enterprise Avenue, A104
Kapolei, Hawaii 96707
Tuesday - Thursday:
9 am - 2 pm

OTS EMPLOYEES CREDIT UNION

811 Middle Street
Honolulu, Hawaii 96819
Monday - Friday: 8 am - 4 pm

KEKAHA CREDIT UNION

8254 Kekaha Road
Kekaha, Hawaii 96752
Monday - Thursday: 9 am - 4 pm
Friday: 9 am - 6 pm